# Department of Finance Canada

2012–13

**Departmental Performance Report**

Original signed by

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Minister of Finance

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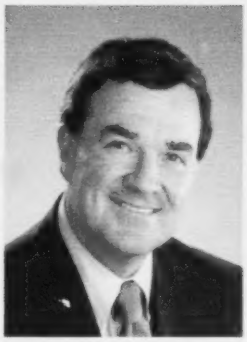
# Minister's Message



I am pleased to present the *2012–13 Departmental Performance Report*, which provides details on the Department of Finance Canada's achievements against the performance expectations outlined in the *2012–13 Report on Plans and Priorities*.

Over the past year, the Canadian economy continued to expand following the worst recession in a generation. Over one million more Canadians are working today than in July 2009 when the recovery began, which represents the strongest employment growth performance over the recovery among the G7 countries. However, the global economic situation presents a number of risks to the Canadian outlook, notably the slow growth in the euro area, the slowerpace of economic growth in China, and the uncertainty over the fiscal situation in the United States.

Nevertheless, real growth in Canada has remained resilient. As outlined in Budget 2012 (*Economic Action Plan 2012*), we focused on our overarching priority to support economic growth and job creation while managing the return to a balanced budget over the medium term. In doing so, we achieved results by meeting the following program priorities:

- **Sound fiscal management:** The overall goal of budgetary planning is to deliver a balanced budget by 2015, in line with the government's commitment. To support this goal, the government will continue to restrain growth in direct program spending and enhance the efficiency of government operations while continuing to provide funding for key priorities of Canadians. The budget deficit for this fiscal year is projected at -$18.7 billion, down about two thirds from -$55.6 billion in 2009–10.
- **Sustainable economic growth:** Our sound policy framework has helped Canada to post the best economic performance in the G7 both during and since the recession. The Canadian economy has more than recovered all the output, investment and employment lost during the recession. In 2012, Canada registered the second-highest real growth in Gross Domestic Product (GDP), at 1.7 percent, behind the United States (2.8 percent). Economic growth has been driven by a strong domestic economy, including robust business investment.
- **Sound social policy framework:** Major transfers to provinces and territories reached a record level of $59 billion in 2012–13. We also took action to ensure that transfers to provinces and territories will grow in a manner that is affordable and sustainable and that reflects taxpayers' ability to pay. *Economic Action Plan 2012* at the same time addressed some of the disincentives to work in the Employment Insurance system by allowing people to receive Employment Insurance benefits while working part-time. At the December 2012 Finance Ministers' Meeting, we announced technical changes to the Equalization and Territorial Formula Financing programs, providing for their renewal to 2019.

- **Effective international influence:** The Department of Finance Canada continued its role as co-chair of the G20 Framework for Strong, Sustainable and Balanced Growth, taking a leading role in negotiating G20 commitments to address key risks to the global economy. The Department's work in monitoring macroeconomic developments has allowed Canada to promote coordinated policies and to maintain pressure on international partners to take decisive actions. Most notably, an action plan drafted by Canada was endorsed by the G20 leaders and was a key deliverable of the Los Cabos Summit in June 2012. In addition, the Department continued to support the expansion of the government's bilateral and regional trade agenda and to implement tariff measures to enhance the competitiveness of Canadian industries.

In keeping with the Department of Finance Canada's well-established reputation for excellence, we remain committed to establishing and advancing best practices in economic and fiscal governance while working with our partners at home and abroad to deliver long-term economic prosperity and strong public finances for Canadians.

# Section I: Organizational Overview

## Raison d'être

The Department of Finance Canada contributes to a strong economy and sound public finances for Canadians. It does so by monitoring developments in Canada and around the world to provide first-rate analysis and advice to the Government of Canada and by developing and implementing fiscal and economic policies that support the economic and social goals of Canada and its people. Finance Canada also plays a central role in ensuring that government spending is focused on results and delivers value for taxpayer dollars. The Department interacts extensively with other federal organizations and acts as an effective conduit for the views of participants in the economy from all parts of Canada.

## Responsibilities

Created in 1867, the Department of Finance Canada was one of the original departments of the Government of Canada and had as its primary functions bookkeeping, administering the collection and disbursement of public monies, and servicing the national debt. Today, the Department helps the Government of Canada develop and implement strong and sustainable economic, fiscal, tax, social security, and international and financial sector policies and programs. It plays an important central agency role, working with other departments to ensure that the government's agenda is carried out and that ministers are supported with high-quality analysis and advice.

The Department's responsibilities include the following:

- Preparing the federal budget and the Update of Economic and Fiscal Projections;
- Providing first-rate analysis and advice to the Government of Canada to develop and implement fiscal, economic and social policies that support the economic and social goals of Canada and its people;
- Preparing the Annual Financial Report of the Government of Canada and, in cooperation with the Treasury Board of Canada Secretariat and the Receiver General for Canada, the Public Accounts of Canada;
- Developing tax and tariff policy and legislation;
- Managing federal borrowing on financial markets;
- Designing and administering major transfers of federal funds to the provinces and territories;
- Developing financial sector policy and legislation; and
- Representing Canada in various international financial institutions and groups.

The Minister of Finance is accountable for ensuring that his responsibilities are fulfilled both within his portfolio and with respect to the authorities assigned through legislation. The Minister has direct responsibility for a number of acts and is also assigned specific responsibilities in other acts that are under the responsibility of other ministers.

## Strategic Outcome and Program Alignment Architecture

The Department of Finance Canada provides effective economic leadership, with a clear focus on one strategic outcome, which expresses a long-term and enduring benefit for Canadians: A strong economy and sound public finances for Canadians. It does so by monitoring developments in Canada and around the world to provide first-rate analysis and advice to the Government of Canada and by developing and implementing fiscal and economic policies that support the economic and social goals of Canada and its people.

The Department's Program Alignment Architecture (PAA)[1] has four programs, each of which consists of a varying number of sub-programs.

- The Economic and Fiscal Policy Framework program is the primary source of advice and recommendations to the Minister of Finance on issues, policies and programs of the Government of Canada in the areas of economic, fiscal, financial sector and social policy; federal-provincial relations; taxation; and international trade and finance.
- The Transfer and Taxation Payment Programs program is responsible for the administration and payment of transfers to provinces and territories, including fiscal Equalization and Territorial Formula Financing and support for health and social programs through the Canada Health Transfer and the Canada Social Transfer. It enables less prosperous provincial governments to provide their residents with public services that are reasonably comparable to those in other provinces, at reasonably comparable levels of taxation, and provides territorial governments with funding to support public services, in recognition of the higher cost of providing programs and services in the North. This program also handles the collection and remittance of provincial, territorial and Aboriginal taxes under tax collection and administration agreements.
- The Treasury and Financial Affairs program manages the borrowing, reserves, lending, and other financial operations of the Government of Canada.
- The Internal Services program includes a number of functions and resources that support the Department as a whole in achieving its strategic outcome. In doing so, it cuts across all departmental programs identified in the PAA and supports each program within the PAA.

1. On April 1, 2012, the Treasury Board revised its policy on Management, Resources and Results Structures (MRRS). As a result, the nomenclature used to describe the Department's programs and services in the *2012–13 Departmental Performance Report* differs from the nomenclature used in the corresponding *2012–13 Report on Plans and Priorities*. "Program Activity Architecture" becomes "Program Alignment Architecture" (PAA), "Program Activity" becomes "Program," Sub-Activity" becomes "Sub-Program," and "Sub-Sub-Activity" becomes "Sub-Sub-Program."

The Department's PAA is presented in the following graphic.

Strategic Outcome
A strong economy and sound public finances for Canadians
Economic and Fiscal Policy Framework
Transfer and Taxation Payment Programs
Treasury and Financial Affairs
Internal Services
Taxation
Economic and Fiscal Policy, Planning, and Forecasting
Economic Development Policy
Federal-Provincial Relations and Social Policy
Financial Sector Policy
International Trade and Finance
Fiscal Arrangements with Provinces and Territories
Equalization and Territorial Formula Financing
Canada Health Transfer
Canada Social Transfer
Targeted Support to Provinces and Territories
Tax Collection and Administration Agreements
Commitments to International Financial Organizations
Receipts from and Payments to Individuals and Organizations
Toronto Waterfront Revitalization Initiative
Harbourfront Centre Funding Program
Federal Debt Management
Major Federal-Backed Entities Borrowing
Prudential Liquidity and Reserves Management
Domestic Currency System
Governance & Management Support
Resource Management Services
Asset Management Services
Program
Sub-Program
Sub-Sub-Program

## Organizational Priorities

Over the planning period, the Department of Finance Canada's overarching priority was to return to a balanced budget by 2015. In doing so, the Department's efforts focused on six organizational priorities that allowed progress to be made toward the strategic outcome.

| Priority | Type[2] | Programs |
|---|---|---|
| **Sound fiscal management**<br>The Department of Finance Canada will ensure effective management of the fiscal framework, including responsible management of the federal budget, ensuring the stability of the financial services sector and the competitiveness, efficiency, fairness and simplicity of Canada's tax system. | Ongoing | • 1.1: Economic and Fiscal Policy Framework<br>• 1.3: Treasury and Financial Affairs |
| **Summary of Progress** | | |
| **What progress has been made toward this priority?**<br>Through measures announced in Budget 2012 (*Economic Action Plan 2012*) and Budget 2013 (*Economic Action Plan 2013*) to manage the return to a balanced budget by 2015, the Department of Finance Canada contributed to a strong economy and sound public finances for Canadians. Progress made in the 2012–13 planning period includes:<br>• Restraining direct program spending by federal departments while ensuring continued growth in funding for the programs and services that are priorities for Canadians. *Economic Action Plan 2013* announced proposals to make government more efficient and productive, including expanding the use of telepresence technologies, standardizing information technology, and moving further toward electronic publication;<br>• Implementing the Debt Management Strategy, which sets out the Government of Canada's objectives, strategy and plans for the management of its domestic and foreign debt, other financial liabilities and related assets. The government also took steps to implement the new Prudential Liquidity Plan. Liquid foreign exchange reserves have increased by about US$10 billion and exceeded the minimum target level of 3 per cent of nominal gross domestic product established under the strategy; and<br>• Developing additional measures to improve the fairness and integrity of the tax system and to close tax loopholes. A number of new measures were announced in *Economic Action Plan 2013*, including ensuring that derivative transactions cannot be used to convert fully taxable ordinary income into capital gains taxed at a lower rate; further improving the effectiveness of Canada's thin capitalization rules; and providing the Canada Revenue Agency with new tools to enforce the tax rules to reduce international tax evasion and aggressive tax avoidance. | | |

2. Type is defined as follows: **previously committed to**—committed to in the first or second fiscal year prior to the subject year of the report; **ongoing**—committed to at least three fiscal years prior to the subject year of the report; and **new**—newly committed to in the reporting year of the Report on Plans and Priorities or the Departmental Performance Report. If another type that is specific to the department is introduced, an explanation of its meaning must be provided.

| Priority | Type[2] | Program |
|---|---|---|
| **Sustainable economic growth**<br>Strong sustainable growth requires sound macroeconomic, tax and structural policies that support the drivers of productivity, business investment and innovation, human capital formation, renewed public infrastructure, and a safe and sound financial system. The Department of Finance Canada will continue to play a leadership role by promoting measures that support competitiveness and innovation; financial sector reform; and a competitive, efficient, fair and simple tax system. | Ongoing | • 1.1: Economic and Fiscal Policy Framework |

**Summary of Progress**

**What progress has been made toward this priority?**

During 2012–13, the Department of Finance Canada put in place sound policies and effective programs that helped create the conditions necessary for sustainable long-term economic growth, thereby increasing Canadians' standard of living. The Department supported the government's efforts to encourage new and growing businesses by taking additional steps to support business innovation and by introducing additional targeted tax assistance. The Department also worked with the Canada Revenue Agency to reduce the tax compliance burden. As well, the Department has proposed new measures and helped put in place sound policies and effective programs that will help create the conditions necessary for sustainable long-term economic growth. Progress made in the 2012–13 planning period includes:

- Closely monitoring economic, financial and fiscal developments in Canada and other advanced economies and emerging market countries. The Department assessed key risks to the global and domestic economic outlook and produced forecasts based on an assessment of predictions made by private sector economists in Canada;
- Providing analysis and advice to the government on the renewal of federal funding for provincial, territorial and municipal infrastructure, which supported the announcement of a new Building Canada plan focused on predictable and growing funding for municipalities, major economic infrastructure supporting productivity and growth, and innovative approaches, such as public-private partnerships;
- Moving forward with a new approach to support innovation in Canada that is business-driven and focused on better meeting private sector needs, following up on recommendations made by the Independent Panel on Federal Support to Research and Development (the Jenkins report).[f] The Department played an instrumental role in the design and implementation of the *Economic Action Plan 2012* commitment for venture capital, which resulted in the government's Venture Capital Action Plan, announced jointly by the Prime Minister and the Minister of Finance in January 2013;
- Providing evidence-based analysis and sound advice to the government on key labour market-related programs, which support jobs and sustain economic growth, including Employment Insurance, labour market training, post-secondary education and immigration;
- Implementing a number of measures to promote a stable, efficient and competitive financial sector, including changes to the criteria for government-backed mortgage insurance in order to support the long-term stability of the housing market; establishment of a risk management framework for domestic systemically important banks; legislative amendments to support central clearing of over-the-counter derivatives; a framework for the ownership of financial institution shares by public pools of capital; and implementation of a framework for Pooled Registered Pension Plans; and
- Taking steps to enhance the neutrality of the tax system by reducing tax distortions, thereby improving the allocation of investment and capital within the Canadian economy. *Economic Action Plan 2013* expanded support for small businesses by increasing and indexing the Lifetime Capital Gains Exemption and extended temporary tax relief to Canada's manufacturing sector to help create jobs in a sector that was hard hit by the global recession. It also included a number of actions that were put in place to improve the integrity of the tax system by closing tax loopholes. By broadening and protecting the tax base, these actions helped keep Canadian tax rates competitive and low, thereby improving incentives to work, save and invest in Canada.

| Priority | Type[2] | Programs |
|---|---|---|
| **Sound social policy framework**<br>A sound social policy framework requires managing current and emerging pressures related to social policy and major transfer payment programs to ensure that those programs are sustainable and effective for all Canadians. | Ongoing | • 1.1: Economic and Fiscal Policy Framework<br>• 1.2: Transfer and Taxation Payment Programs |
| **Summary of Progress** | | |
| **What progress has been made toward this priority?**<br>Through the proactive measures aimed at improving Canada's social policy framework, the Department of Finance Canada supported the government in responding to current and emerging issues related to social policy and major transfer payment programs and in its efforts to promote equality of opportunity for all Canadians. Progress made in the 2012–13 planning period includes:<br>• Major transfers to provinces and territories reached a record level of $59 billion in 2012–13. The Department also took action to ensure that transfers to provinces and territories will grow in a manner that is affordable and sustainable and will reflect taxpayers' ability to pay;<br>• Introduction of tax measures to support the government's social policy priorities, including a new temporary First-Time Donor's Super Credit that encourages new donors to give to charity, and enhancements to the Adoption Expense Tax Credit to better recognize the costs of adopting a child. In addition, the government encouraged provinces and territories to take action on the issue of legal representation in respect of Registered Disability Savings Plans;<br>• Provision of briefings, analysis and advice on a broad range of other social policy issues, including justice and public safety; health care; cultural programs; post-secondary education; programs for seniors, veterans and children; the labour market; the Canada Pension Plan; and Aboriginal policy;<br>• Facilitation of sales tax arrangements between provinces, in particular Manitoba and Saskatchewan, and certain Aboriginal governments. | | |

| Priority | Type[2] | Programs |
|---|---|---|
| **Effective international influence**<br>Effective international influence requires active engagement with key partners on bilateral, regional and multilateral issues to leverage Canada's strengths and to promote Canadian interests. This effort includes promoting Canada's trade and investment interests, fostering effective and innovative aid policies, and working toward a more stable and secure international financial system. | Ongoing | • 1.1: Economic and Fiscal Policy Framework<br>• 1.2: Transfer and Taxation Payment Programs |

**Summary of Progress**

**What progress has been made toward this priority?**

The Department of Finance Canada continued to support Canada's engagement in international economic cooperation organizations, including the G20 and the G7, the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development (OECD), and the Asia-Pacific Economic Cooperation forum. In particular, the Department continued to provide international leadership by co-chairing the G20 Working Group responsible for steering the Framework for Strong, Sustainable and Balanced Growth, which guides and enhances international policy coordination.

Other areas where progress has been made toward this priority include:

- In 2012–13, the Department and its partner agencies continued to work closely with the Financial Stability Board and the international community on the elaboration and implementation of the G20 financial sector reform agenda to increase the resilience of the global financial sector. This included the development of the Key Attributes of Effective Resolution Regimes; a framework for identifying domestic systemically important banks; analysis of potential measures to mitigate the risks to the financial system from the shadow banking sector; and work on establishing a framework to support central clearing of over-the-counter derivatives;
- Initiatives to enhance trade and investment. The Department provided advice on the fiscal cost and design of initiatives associated with the implementation of the Beyond the Border Action Plan with the United States. The Department also supported the expansion of the government's bilateral and regional trade agenda, most notably, negotiations with Europe, India and Japan on a free trade agreement, and on joining the Trans-Pacific Partnership;
- Continued assessment of improvements to Canada's system of international taxation, including the recommendations of the Advisory Panel and related international tax issues. For example, *Economic Action Plan 2013* proposed further improvements to the integrity and fairness of the thin capitalization rules by extending the scope of their application to Canadian resident trusts and to non-resident corporations and trusts that operate in Canada; and
- The coming into force of tax treaties and tax information exchange agreements (TIEAs) and the signing or negotiation of tax treaties or protocols, including with the following countries:
  - A new tax treaty with Colombia and a protocol with Singapore came into force;
  - New tax treaties with Hong Kong and Serbia and updated tax treaties with New Zealand and Poland were signed;
  - A protocol to update the tax treaty with Luxembourg was signed;
  - An agreement modifying the interpretative protocol of the Canada-Switzerland tax treaty was signed to ensure the consistency of Article 25 of the treaty with the OECD standard;
  - Negotiations to update the tax treaty with Australia were announced; and
  - TIEAs with Aruba, Costa Rica and Saint Lucia came into force, and TIEAs with Liechtenstein, Panama and Uruguay were signed.

| Priority | Type[2] | Strategic Outcome and Programs |
|---|---|---|
| **Sound financial and human resources management in an environment of budgetary restraint**<br>Continued fiscal restraint creates a greater need for sound and efficient management of the Department of Finance Canada's operational budget and human resources through strategic recruitment, employee development, performance management and retention. | Previously committed to | • The strategic outcome and all programs |
| **Summary of Progress** | | |
| **What progress has been made toward this priority?**<br>As its contribution to *Economic Action Plan 2012*, the Department of Finance Canada identified savings that will increase to $32.4 million per year by 2014–15, including savings generated through the elimination of the penny and changes to the composition of the one-dollar and two-dollar coins, as well as some internal restructuring initiatives that were implemented to improve operations as part of the Department's operating and program spending review.<br>With respect to people management, the Department received the highest overall rating of "strong" for the Management Accountability Framework assessment process in 2012–13, indicating that the organization, relative to others in the public service, is excelling in its efforts to manage its human resources. Key achievements during the year included:<br>• The implementation of the Performance Management Program (PMP) for non-executive employees, where the return rate for completed PMP forms was 97 per cent;<br>• The development, implementation and monitoring of branches' staffing plans;<br>• The development and implementation of the 2011 Public Service Employee Survey Action Plan and the implementation of monitoring mechanisms to assess the results achieved;<br>• The implementation of activities from the departmental 2011–14 Employment Equity and Diversity Action Plan, aimed at increasing representation;<br>• The targeting of tools and training to support work-life balance;<br>• The delivery of training on harassment and discrimination prevention; and<br>• The delivery of information sessions to raise awareness of the *Department of Finance Canada Code of Conduct*. | | |

| Priority | Type[2] | Strategic Outcome and Programs |
|---|---|---|
| **Strengthen information management and information technology infrastructure**<br>Given the nature of the Department of Finance Canada's work and the need for effective information security safeguards, the Department will continue to make improvements to its information management (IM) and information technology (IT) infrastructure and services to manage security concerns in a manner that addresses both security and work environment requirements. | New | • The strategic outcome and all programs |

**Summary of Progress**

**What progress has been made toward this priority?**

Information management and information technology planning continued to be a key management priority, especially in the context of the Department's planned move to its new location on 90 Elgin Street in 2014 and the continued collaboration with Shared Services Canada on the seamless integration of IM and IT strategies.

To address the opportunities for improvement identified in the Treasury Board of Canada Secretariat Management Accountability Framework assessment of the Department's performance in relation to IM, the Department renewed its efforts to address the requirements of the Treasury Board *Directive on Recordkeeping*. In particular, progress in strengthening IM and IT included:

- Implementation of a dual network environment to protect departmental information and resources and ongoing activities to strengthen the performance and reliability of the overall network. The departmental data centre servers were also relocated to a new data centre;
- An updated Business Continuity Plan to reflect the implementation of the dual network environment; and
- Work toward the implementation of a collaborative client-focused approach to IM. The implementation of this IM solution is a key element of the Treasury Board *Directive on Recordkeeping*, which all departments must adhere to by March 2015.

## Risk Analysis

### Context

The global economy continues to underperform. While some downside risks have abated since summer 2012, including the potential for a severe negative outcome in the euro area, other risks have emerged, such as the potential for weaker growth in developing countries. Five years after the global financial crisis, the recovery has been weaker and much more drawn-out than those from past major recessions. Global growth prospects have been consistently marked down over the last 12 months, and there is now greater disparity in regional growth paths. While growth momentum is gradually improving in the United States and Japan, economic growth in China has moderated and Europe has only recently emerged from recession. The United Kingdom narrowly avoided a triple-dip recession, and some large emerging market economies have yet to rebound from weaker-than-expected growth in 2012.

While the external environment has been challenging, the Canadian economy has been relatively resilient, enjoying one of the best performances among G7 countries over the global economic recession and recovery. Economic growth over this period has been largely driven by strength in household spending and business investment, which has more than offset weak external demand. Canada's economic performance has been reflected in a robust labour market performance to date, with over one million more Canadians working today than in July 2009 when the recovery began.

However, the global economic environment remains highly uncertain. The biggest risks to Canada's near-term outlook are external to our borders: the recent emergence from recession in the euro area, increased financial volatility associated with potential exit from unconventional monetary policies, and the potential for weaker growth among emerging economies.

On the domestic front, the key risk remains the high level of household indebtedness. However, the government has acted proactively four times since 2008, through adjustments to the rules for government-backed mortgage insurance, to help prevent households from becoming overextended. Commodity prices are also a key determinant of nominal GDP. There are both upside and downside risks to the commodity price outlook, particularly in the short term.

## Key Risks

The Department of Finance Canada's Corporate Risk Profile provides a clear snapshot of the Department's key corporate risks. It focuses the attention and action of senior management on measures to mitigate the adverse effects of global economic uncertainty and its impact on the Canadian economy. In 2012–13, the Department continued to monitor its corporate risks and associated risk responses to identify areas of opportunity and to reflect progress made in implemented measures to mitigate risks.

The table below describes the key risks that influenced the Department's expected results and priorities, the risk response strategies, and the implication for the Department's performance.

| Risk | Risk Response Strategy | Link to Program Alignment Architecture | Link to Organizational Priorities |
|---|---|---|---|
| 1. Given the Department's involvement in international organizations (e.g., the G20 and G7) to deal with uncertain world economic conditions, there is a risk that the requirement for coordinated international decision making will increase and significantly affect the priorities and workload of the Department. | To mitigate this risk, the Department of Finance Canada implemented ongoing strategies consisting of the following risk responses:<br>• **Continued regular monitoring of global economic conditions:** The Department closely monitors global economic conditions and heightened risks to stability, using a wide range of sources of information.<br>• **Maintained, improved and promoted regular and informal communication with the network of finance and economic counsellors:** Engagement between departmental staff and the network of finance and economic counsellors increased substantially in depth and frequency because of a more effective reporting framework.<br>• **Maintained a high level of engagement in international organizations and with partners to influence decisions:** In 2012–13 the Department, on behalf of Canada, continued to co-chair the G20 Working Group on the Framework for Strong, Sustainable and Balanced Growth, which is the key international mechanism for economic cooperation. As co-chair, Canada played a leadership role in coordinating policy responses to promote global economic growth and financial stability.<br>• **Promoted alignment of international priorities with domestic priorities through regular collaboration and interaction with other Government of Canada departments:** The Department worked closely with other departments, in particular Foreign Affairs and International Trade Canada, to support the alignment of international economic priorities with domestic priorities. | 1.1: Economic and Fiscal Policy Framework | Sustainable economic growth<br>Effective international influence |

| Risk | Risk Response Strategy | Link to Program Alignment Architecture | Link to Organizational Priorities |
|---|---|---|---|
| 2. Given uncertain world economic conditions, there is a risk that volatility on the state of the economic recovery will challenge the Department's ability to provide accurate strategic advice and policy recommendations. | To mitigate this risk, the Department of Finance Canada implemented strategies consisting of the following risk responses:<br>• **Continued to monitor high-frequency indicators to provide the most up-to-date information on the speed of the recovery:** The Department continues to monitor high-frequency data for Canada and other countries in order to evaluate economic developments and provide assessments of risks to the global and Canadian outlook.<br>• **Conducted private sector surveys of the Canadian economic outlook and assessed potential risks:** The Department undertook five surveys of private sector forecasters in 2012–13 (June, September, October and December 2012 and March 2013). The Department continues to assess potential risks to the economic outlook.<br>• **Continued to meet each fall with leading private sector economists to discuss the economic outlook and whether the average private sector economic forecast represents a reasonable basis for budgetary planning:** The Minister of Finance met with private sector economists on October 29, 2012, prior to the Update of Economic and Fiscal Projections, and on March 8, 2013, prior to the release of *Economic Action Plan 2013*, to discuss the economic forecast as well as the risks associated with those projections.<br>• **Provided policy options to the Minister of Finance, based on expected economic conditions:** The Department continues to provide policy options to the Minister consistent with projected economic conditions. | 1.1: Economic and Fiscal Policy Framework<br>1.2: Transfer and Taxation Payment Programs | Sound fiscal management<br>Sustainable economic growth |

| Risk | Risk Response Strategy | Link to Program Alignment Architecture | Link to Organizational Priorities |
|---|---|---|---|
| 3. Given the uncertainty of the pace of global economic recovery as well as continued weakness and volatility in a number of important financial markets, there is a risk that the Department will not have the infrastructure, resources and authorities needed to address, on an urgent basis, an evolving and uncertain economic and financial sector environment. | To mitigate this risk, the Department of Finance Canada implemented, as required, ongoing strategies consisting of the following risk responses:<br>• **Continued training and development of personnel and the recruitment of personnel with specialized knowledge:** The Department ensured that all employees had learning plans targeted to the needs of the Department and their respective Branch. In addition, Branch training days on specific topics were implemented as well as divisional monthly and Branch quarterly meetings. These activities helped ensure that departmental personnel had the necessary expertise and knowledge to deliver departmental and Branch priorities in 2012–13.<br>• **Coordinated the implementation, accountability and reporting of stimulus measures:** A final report on the stimulus phase of the Economic Action Plan was included in *Economic Action Plan 2012*, the *Annual Financial Report of the Government of Canada: Fiscal Year 2011–12*, and the *Public Accounts of Canada 2012*.<br>• **Promoted prudent investment and risk limits and undertook daily monitoring of financial market activities and risks and regular external evaluation of treasury operations:** The Department conducted an evaluation of treasury operations pertaining to lending to Crown corporations; work to implement recommendations of a previous evaluation on reserves management; and daily monitoring of financial market activities and risks via financial market reporting.<br>• **On an ad hoc basis, examined new initiatives that may need to be developed to respond to the evolving economic situation:** The recent financial crisis highlighted the | 1.1: Economic and Fiscal Framework<br>1.2: Transfer and Taxation Payment Programs<br>1.3: Treasury and Financial Affairs | Sound Fiscal Management |

| Risk | Risk Response Strategy | Link to Program Alignment Architecture | Link to Organizational Priorities |
|---|---|---|---|
| | importance of prudent financial management for individuals, corporations and governments, with an emphasis on accurate assessment of risks. Consequently, the Department continued to anticipate and prepare for evolving uncertainties associated with economic and financial market outcomes (in particular the risks associated with the vulnerabilities in the Canadian housing market) and carefully monitored economic and fiscal developments in the euro area.<br>• **Monitored the use and effectiveness of legal authorities to ensure that they meet the stated objectives and, where appropriate, address unforeseen events by proposing new authorities:** Across the board in respect of the Minister's responsibilities, legal counsel monitors legal authorities and works with the client to ensure that ample authority exists to address emerging issues. | | |

## Summary of Performance

### Financial Resources – Total Departmental ($ millions)

| Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending 2012–13 | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) 2012–13 | Difference (Planned vs. Actual Spending) |
|---|---|---|---|---|
| 85,385.6 | 86,139.2 | 149,400.4 | 149,115.2 | (62,976.0) |

### Human Resources (Full-Time Equivalents—FTEs)

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 822 | 779 | 43 |

### Performance Summary Table for Strategic Outcome and Programs ($ millions)

Strategic Outcome: A strong economy and sound public finances for Canadians

| Program | Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending | | | Total Authorities (available for use) | Actual Spending (authorities used) | | | Alignment to Government-Wide Outcomes |
|---|---|---|---|---|---|---|---|---|---|
| | | 2012–13 | 2013–14 | 2014–15 | 2012–13 | 2012–13 | 2011–12 | 2010–11 | |
| Economic and Fiscal Policy Framework | 72.9 | 72.9 | 73.4 | 62.3 | 86.8 | 81.3 | 93.0 | 88.1 | Strong economic growth[ii] |
| Canadian Millennium Scholarships Foundation – Deposit of funds to the Consolidated Revenue Fund | | | | | | | | (121.3) | |
| Net Balance | | | | | | | | (33.2) | |
| Transfer and Taxation Payment Programs | 56,288.6 | 57,042.2 | 60,227.9 | 61,218.1 | 57,748.1 | 57,469.5 | 56,634.9 | 56,298.8 | All outcomes[ii] |
| Treasury and Financial Affairs | 28,982.0 | 28,982.0 | 27,260.5 | 28,291.5 | 91,513.9 | 91,513.9 | 91,370.0 | 104,519.7 | Strong economic growth[ii] |
| **Total** | **85,343.5** | **86,097.1** | **87,561.8** | **89,571.9** | **149,348.8** | **149,064.7** | **148,097.9** | **160,785.3** | |

### Performance Summary Table for Internal Services ($ millions)

| Internal Services | Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending | | | Total Authorities (available for use) | Actual Spending (authorities used) | | |
|---|---|---|---|---|---|---|---|---|
| | | 2012–13 | 2013–14 | 2014–15 | 2012–13 | 2012–13 | 2011–12 | 2010–11 |
| | 42.1 | 42.1 | 50.0 | 52.4 | 51.6 | 50.5 | 56.0 | 50.5 |
| **Sub-total** | **42.1** | **42.1** | **50.0** | **52.4** | **51.6** | **50.5** | **56.0** | **50.5** |

**Total Performance Summary Table ($ millions)**

| Strategic Outcome and Internal Services | Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending | | | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) | | |
|---|---|---|---|---|---|---|---|---|
| | | 2012–13 | 2013–14 | 2014–15 | | 2012–13 | 2011–12 | 2010–11 |
| Total Strategic Outcome | 85,343.5 | 86,097.1 | 87,561.8 | 89,571.9 | 149,348.8 | 149,064.7 | 148,097.9 | 160,785.3 |
| Internal Services | 42.1 | 42.1 | 50.0 | 52.4 | 51.6 | 50.5 | 56.0 | 50.5 |
| **Total** | **85,385.6** | **86,139.2** | **87,611.8** | **89,624.3** | **149,400.4** | **149,115.2** | **148,153.9** | **160,835.8** |

## Rationale for Spending Variances

In 2012–13, actual spending for the Department of Finance Canada was higher than planned spending by $63 billion. This difference was almost exclusively attributable to the fact that direct loans to Crown corporations were not included in the Report on Plans and Priorities (RPP) planned spending figure. The total for Crown borrowings in 2012–13 was $65.2 billion. The interest costs on unmatured debt and interest on other liabilities were $2.9 billion lower than planned and served to partially offset the impact of the Crown borrowings on the planned spending variance. Both the Crown borrowings and interest on unmatured debt and interest on other liabilities are part of the Treasury and Financial Affairs program. Some transfer payments within the Transfer and Taxation Payment Programs program were not included in the 2012–13 RPP planned spending figure because fiscal calculations were not complete prior to RPP publication. This explains an additional $0.8 billion in the variance between planned and actual spending. Variances between planned spending and actual spending within the Economic and Fiscal Policy Framework program and the Internal Services program were relatively minor and effectively had no impact on the total departmental variance from planned spending.

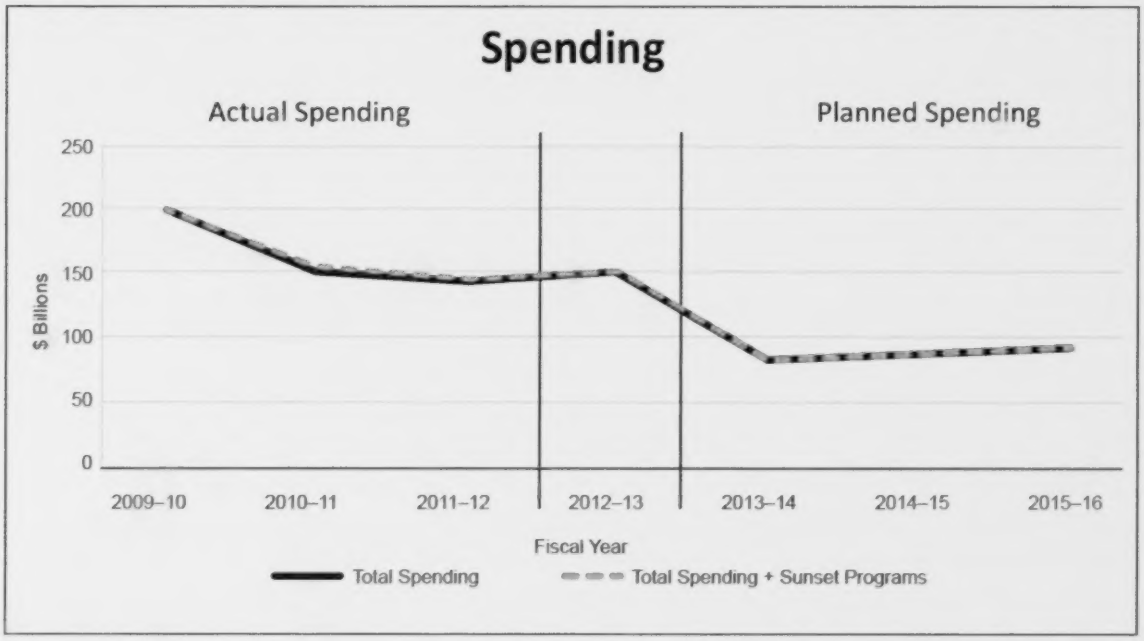
The actual spending for the Department increased by $1 billion from 2011–12 to 2012–13 because of annual legislated framework increases of some transfer payments within the Transfer and Taxation Payment Programs program. Actual expenditures within the Treasury and Financial Affairs program were virtually unchanged from 2011–12 to 2012–13.

Actual expenditures within the Economic and Fiscal Policy Framework program and the Internal Services program each decreased from 2011–12 to 2012–13 by $11.7 million and $5.5 million respectively.

The reduction in the Economic and Fiscal Policy Framework program was attributable to the fact that there were $14.3 million in payments to the Canadian Securities Regulator Transition Office in 2011–12, but none in 2012–13. This decrease was partially offset by a $2.6 million increase in operating expenditures and employee benefit plans. The decrease in actual spending of $5.5 million from 2011–12 to 2012–13 within the Internal Services program was primarily attributable to extraordinary IT infrastructure expenditures incurred in 2011–12 and to the transfer of some costs to Shared Services Canada.

## Expenditure Profile

### Departmental Spending Trend




In the graph above, the numbers from 2009–10 to 2012–13 represent actual expenditures, whereas the numbers from 2013–14 to 2015–16 represent planned expenditures within *the 2012–13 Report on Plans and Priorities*. The downward trend from 2009–10 to 2012–13, representing reductions in actual expenditures, is explained by the decrease in Crown borrowings from a peak of $120 billion in 2009–10 to a level of $65 billion in 2012–13. The Department's spending trend continues lower in 2013–14 because the planned spending numbers do not include amounts for Crown borrowings.

In 2014–15, the spending trend line moves upward slightly to reflect the expectation of a $4 billion increase in transfer payments and a $2 billion increase in interest on unmatured debt and interest on other liabilities by 2015–16.

Sunset programs on average account for 1 per cent of the total spending in the graph above.

## Estimates by Vote

For information on the Department of Finance Canada's organizational Votes and/or statutory expenditures, please see the *Public Accounts of Canada 2013* (Volume II).[iii] An electronic version of the *Public Accounts of Canada 2013* is available on the Public Works and Government Services Canada website.

## Contribution to the Federal Sustainable Development Strategy

The Federal Sustainable Development Strategy (FSDS) outlines the Government of Canada's commitment to improving the transparency of environmental decision making by articulating its key strategic environmental goals and targets.

The Department of Finance Canada ensures that consideration of these outcomes is an integral part of its decision-making processes. The Department contributes to the following FSDS themes as denoted by the visual identifiers and associated programs and/or sub-programs below.

| | |
|---|---|
| **Theme I** Addressing Climate Change and Air Quality | 1.1.1 Taxation |
| **Theme III** Protecting Nature | 1.1.1 Taxation |
| **Theme IV** Shrinking the Environmental Footprint - Beginning with Government | 1.4 Internal Services |

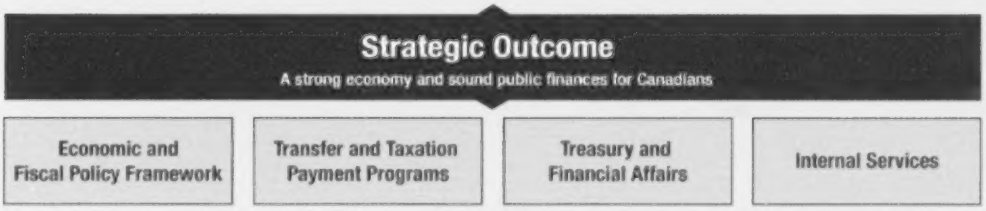
During 2012–13, the Department of Finance Canada considered the environmental effects of initiatives subject to the *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*.[iv] Through the strategic environmental assessment process (SEA), some departmental initiatives were found to potentially have positive and/or negative effects on goals and targets in Themes I – Addressing Climate Change and Air Quality, II – Maintaining Water Quality and Availability, and III – Protecting Nature, of the FSDS. Further information on the results of SEAs is available on the Department's public statements website.[v]

For additional details on the Department of Finance Canada's activities to support sustainable development and strategic environmental assessments, please visit the departmental website.[vi] For complete information on the FSDS, please visit the Environment Canada website.[vii]

# Section II: Analysis of Programs and Sub-Programs by Strategic Outcome

## Strategic Outcome

This section provides more detailed information about the actual performance results of the Department of Finance Canada's programs in relation to the expected results identified in the *2012–13 Report on Plans and Priorities* and the 2012–13 Performance Measurement Framework. This section also presents the financial and non-financial resources used in each program over the 2012–13 planning period.


Strategic Outcome
A strong economy and sound public finances for Canadians
Economic and Fiscal Policy Framework
Transfer and Taxation Payment Programs
Treasury and Financial Affairs
Internal Services

The Department of Finance Canada contributes to a strong economy and sound public finances for Canadians. It does so by monitoring developments in Canada and around the world to provide first-rate analysis and advice to the Government of Canada and by developing and implementing fiscal and economic policies that support the economic and social goals of Canada and its people.

The Department also plays a central role in ensuring that government spending is focused on results and delivers value for taxpayer dollars. It interacts extensively with other federal organizations and acts as an effective conduit for the views of participants in the economy from all parts of Canada. The Department provides effective economic leadership with a clear focus on its strategic outcomes, to which all programs contribute.

| Strategic Outcome: A strong economy and sound public finances for Canadians | | |
|---|---|---|
| **Performance Indicators** | **Targets** | **Actual Results** |
| Real Gross Domestic Product (GDP) growth | In line with G7 counterparts. | Met. In 2012–13, Canada had the second-highest real GDP growth, at 1.7 per cent, behind the United States (at 2.8 per cent) in 2012. |
| Federal budgetary balance | In line with Government of Canada commitments. | Met. Results to date are consistent with projections for 2012–13 and suggest that the Government of Canada is on track to achieve its commitment to return to a balanced budget by 2015. |
| Unemployment rate | In line with G7 counterparts. | Met. Canada had the third-lowest unemployment rate, at 7.3 per cent in 2012, behind Japan (at 4.4 per cent) and Germany (at 5.4 per cent). |

The overarching priority of the Department for 2012–13 was to support economic growth and job creation while managing the return to a balanced budget by 2015. Budget 2012 (*Economic Action Plan 2012*) and Budget 2013 (*Economic Action Plan 2013*) marked progress toward achieving the government's fiscal objective. *Economic Action Plan 2012* announced the results of the departmental spending review, and implementation is now underway. *Economic Action Plan 2013* committed a return to a balanced budget by 2015.

During the fiscal year, the Economic and Fiscal Policy Branch analyzed economic and fiscal developments in Canada and advised the Minister of Finance on the implications for the government's fiscal framework. It also provided the Minister with analysis on a wide range of economic and financial issues related to the government's policies, including developments in the housing market, skills mismatch, the financial situation of the middle class, and the Canada-US price gap. The Department undertook five surveys of private sector forecasters in 2012–13 and continues to assess potential risks to the economic outlook.

The Department continues to conduct transparent, timely and accurate fiscal planning. In 2012–13, the Department was responsible for the monthly publication of *The Fiscal Monitor*; the release of the *Annual Financial Report of the Government of Canada: Fiscal Year 2011–2012* and the *Fiscal Reference Tables October 2012*; the publication of the Department's first long-term fiscal sustainability report, entitled the *Economic and Fiscal Implications of Canada's Aging Population*; the *Update of Economic and Fiscal Projections: November 13, 2012*; and *Economic Action Plan 2013*.

Given the complex interaction between international and domestic economic and policy developments, the Department closely monitored economic developments in our major trading partners, particularly the United States and Europe. The Department took the lead role in facilitating the annual economic assessment of Canada conducted by the International Monetary Fund (IMF) and the 2012 Economic Survey of Canada conducted by the Organisation for Economic Co-operation and Development (OECD).

## Program 1.1: Economic and Fiscal Policy Framework

### Description

This program is the primary source of advice and recommendations to the Minister of Finance on issues, policies and programs of the Government of Canada related to the areas of economic, fiscal and social policy; federal-provincial relations; financial affairs; taxation; and international trade and finance. The work conducted by this program involves extensive research, analysis, and consultation and collaboration with partners in both the public and private sectors, including the Cabinet and the Treasury Board; Parliament and parliamentary committees; the public and Canadian interest groups; departments, agencies and Crown corporations; provincial and territorial governments; financial market participants; the international economic and finance community; and the international trade community. In addition, this program includes policy advice on the development of Memoranda to Cabinet, negotiation of agreements, drafting of legislation and sponsoring of bills through the parliamentary process, which are subsequently administered by other programs within the Department and by other government departments and agencies.

This program is supported by the following sub-programs:

1.1.1. Taxation;

1.1.2. Economic and Fiscal Policy, Planning, and Forecasting;

1.1.3. Economic Development Policy;

1.1.4. Federal-Provincial Relations and Social Policy;

1.1.5. Financial Sector Policy; and

1.1.6. International Trade and Finance.

**Financial Resources – Program Level ($ millions)**

| Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending 2012–13 | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) 2012–13 | Difference 2012–13 |
|---|---|---|---|---|
| 72.9 | 72.9 | 86.8 | 81.3 | (8.4) |

**Human Resources (Full-Time Equivalents—FTEs) – Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 561 | 485 | 76 |

## Rationale for Variances

Actual spending in 2012–13 for the Economic and Fiscal Policy Framework program exceeded planned spending by $8.4 million primarily because of expenditures that were funded through the Supplementary Estimates process. The increased spending was offset by reductions related to saving measures announced in *Economic Action Plan 2012* and to time-limited funding not fully used in 2012–13.

The number of actual FTEs for 2012–13 was significantly lower than planned and can be explained by reductions related to savings measures announced in *Economic Action Plan 2012*, which were not included in the *2012–13 Report on Plans and Priorities*; the impact of cost containment measures announced in Budget 2010; and staff turnover. These reductions impact the various sub-programs at varying levels.

### Performance Results – Program Level

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| An economic, social and fiscal framework that supports financial stability, sustainable growth, productivity, competitiveness and economic prosperity. | Federal budgetary balance. | In line with Government of Canada commitments. | Met. Results to date are consistent with projections for 2012–13 and suggest that the Government of Canada is on track to achieve its commitment to return to a balanced budget by 2015. |
| | Competitiveness and efficiency of Canada's tax system. | No target. The goal is to continue to propose changes to the tax system that improve incentives to work, save and invest. | Tax measures announced in *Economic Action Plan 2013* support the government's commitment to examine opportunities to make the tax system more neutral, to help ensure that investment flows to its most productive uses. The Department of Finance Canada also supported the government's efforts to introduce additional targeted tax assistance to support business investment, and worked with the Canada Revenue Agency to reduce the tax compliance burden. |
| | Stability of financial services sector. | No target. The long-term goal is to contribute to low and stable interest rates. | In 2012–13, the Department supported the Economic and Fiscal Policy Framework by fostering a strong and effective financial sector regulatory and supervisory framework in order to support a stable financial sector that meets the needs of Canadians.<br>The World Economic Forum ranked Canada's banking system as the soundest in the world for the sixth year in a row, and 5 Canadian banks were among the top 20 in Bloomberg's most recent list of the world's strongest banks (including 4 banks among the top 10—more than any other country).<br>In 2012–13, Canadian businesses and individuals continued to have sufficient access to financing. The Bank of Canada's Senior Loan Officer Survey (Q1 2013) reported an easing in credit conditions throughout 2012–13 for non-financial corporate borrowers. |

### Performance Analysis and Lessons Learned

Overall, *Economic Action Plan 2012* and *Economic Action Plan 2013* marked progress toward achieving the government's objective of returning to a balanced budget by 2015. *Economic Action Plan 2012* announced the results of the departmental spending review, and implementation is now underway. *Economic Action Plan 2013* committed a return to a balanced budget by 2015. *Economic Action Plan 2013* (March 21, 2013) built on the strong foundation established since 2006—with affordable measures to create jobs, promote growth and support long-term prosperity. More information can be found on Canada's Economic Action Plan website.[viii]

The Department continued to ensure the effective management of the fiscal framework, including the government's plan to bring the budget back to balance by 2015 by supporting the implementation of the measures announced in Budgets 2010, 2011, 2012 and 2013. This also includes implementing 2011–12 Strategic and Operating Review exercise.

The Department took the lead role in facilitating the annual economic assessment of Canada conducted by the IMF and the 2012 Economic Survey of Canada conducted by the OECD. Given the complex interaction between international and domestic economic and policy developments, the Department closely monitored economic developments in our major trading partners, particularly the United States and Europe.

## Sub-Program 1.1.1: Taxation

### Description

This sub-program develops and evaluates federal taxation policies and legislation, and negotiates international tax treaties and tax information exchange agreements as well as tax elements of comprehensive land claim and self-government agreements with Aboriginal governments. It also provides advice and recommendations for changes aimed at improving the tax system while raising the required amount of revenue to finance government priorities. It focuses on the following areas: personal income tax, business income tax, sales and excise tax, and Aboriginal tax policy. It is also involved with international tax policy matters, federal-provincial tax coordination, federal-provincial tax collection and reciprocal taxation agreements, federal-Aboriginal tax administration agreements, and tax policy research and evaluation. Improvements to the competitiveness, efficiency, simplicity and fairness of Canada's tax system increase incentives for Canadians and Canadian businesses to realize their full potential, thereby encouraging investment, promoting economic growth, and increasing Canadians' standard of living. These improvements also strengthen Canadians' confidence in the tax system.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 23.8 | 21.7 | 2.1 |

**Human Resources (FTEs) – Sub-Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 191 | 159 | 32 |

## Rationale for Variances

The variance between planned spending and actual spending was primarily attributable to a re-profile of 2012–13 planned funding related to capital Goods and Services Tax technical issues for the Goods and Services Tax / Harmonized Sales Tax (GST/HST) financial services review, as well as savings measures announced in *Economic Action Plan 2012*, which were not available at the time of the preparation of the *2012–13 Report on Plans and Priorities*.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| The Minister, the Deputy Minister and senior officials have access to policy analysis, research and advice on Canada's tax system, to raise the necessary revenue for government priorities in a competitive, efficient and fair manner, thus supporting the government's tax policy agenda. | Percentage of briefing requests completed for the Minister, the Deputy Minister and/or senior staff. | 100 per cent. | Met 100 per cent. Briefings for the Minister, the Deputy Minister and senior officials were of high quality and consistently delivered on time. |
| | Percentage of briefings completed on measures identified for consideration in the budget. | 100 per cent. | Met 100 per cent. The Taxation sub-program produced numerous notes for *Economic Action Plan 2013*, resulting in about 50 budget measures. Outside the budget process, the demand for briefings also remained very high. The high volume of briefings on tax issues was related to (1) the increased use of the tax system to implement the government's economic and social policy agenda, and (2) the importance of ensuring the integrity of the tax system to protect the government's revenue base. |

## Performance Analysis and Lessons Learned[3, ix]

The Taxation sub-program contributed to about 50 budget measures for *Economic Action Plan 2013*, many of which were aimed at maintaining the integrity of the tax system and protecting the government's revenue base. For measures announced in *Economic Action Plan 2013*, the Taxation sub-program also provided cost estimates, drafted language for the Budget Plan and supplementary tax annexes (including the Notice of Ways and Means Motion), and developed budget briefing materials and communications products. *Economic Action Plan 2013* included the following key tax measures:

- A two-year extension of the temporary accelerated capital cost allowance for new investment in machinery and equipment in the manufacturing and processing sector;
- An increase and indexation of the lifetime capital gains exemption;
- The introduction of the First-Time Donor's Super Credit for first-time claimants of the Charitable Donations Tax Credit;
- Amendments to ensure that derivative transactions cannot be used to convert fully taxable ordinary income into capital gains taxed at a lower rate;
- Amendments to ensure that the tax consequences of disposing of a property cannot be avoided by a taxpayer by entering into transactions that are economically equivalent to a disposition of the property, but where legal ownership of the property is retained by the taxpayer; and
- The introduction of new tools for the Canada Revenue Agency to enforce the tax rules to reduce international tax evasion and aggressive tax avoidance.

The Taxation sub-program also prepared draft legislation and related materials to implement tax measures announced in *Economic Action Plan 2012*, as well as some of the tax measures in *Economic Action Plan 2013*, and by way of press release, as required. It also prepared the *Technical Tax Amendments Act, 2012* (approximately 1,000 pages) for tabling in the House of Commons, as well as related explanatory notes. The Act, which received royal assent in June 2013, includes measures to protect the integrity of the tax system from aggressive tax planning.

The Taxation sub-program continually reviews its policy and corporate commitments in light of available human and financial resources. The following details the lessons learned from an evaluation of the Taxation sub-program.

In 2012–13, Internal Audit and Evaluation of the Department of Finance Canada conducted an evaluation of the Taxation sub-program. The evaluation found that the Tax Policy Branch had performed its key functions with efficiency and economy and that its objectives and activities were well aligned with the roles and responsibilities of the Government of Canada. Nonetheless, the evaluation noted that a key challenge for the Department was to maintain its ability to

3. Measures within this sub-program contribute to Themes I – Addressing Climate Change and Air Quality and III – Protecting Nature of the Federal Sustainable Development Strategy (FSDS). These measures are the accelerated capital cost allowance for clean energy generation equipment, the Green Levy on certain fuel inefficient passenger vehicles, the Public Transit Tax Credit, and the Ecological Gifts Program. Details on the Department of Finance Canada's activities to support sustainable deveopment can be found on the departmental website.

achieve its stated outcomes in an environment of ongoing fiscal restraint, including staff retention challenges stemming from retirements and work-life balance issues. To respond to this challenge, the management of the Tax Policy Branch has committed to explore mechanisms and strategies to better manage workload demands to maintain the Tax Policy Branch's ability to provide high-quality and timely advice. In particular, the Tax Policy Branch will be reviewing its Human Resources Action Plan to consider strategies to address areas of concern.

In addition, as part of the evaluation, a case study on the Tax-Free Savings Account (TFSA) was undertaken to illustrate the contribution of the policy cycle to the tax policy development process. The evaluation found that as part of the development of the TFSA and following its implementation, the Tax Policy Branch identified a number of lessons learned. In particular, reviewing Canada's tax system and monitoring tax policy developments abroad on an ongoing basis is key to equipping the Tax Policy Branch to respond quickly and thoroughly when the government requests advice on tax policy options. The evaluation report can be found on the Department's website.[x]

## Sub-Program 1.1.2: Economic and Fiscal Policy, Planning, and Forecasting

### Description

This sub-program analyzes Canada's economic and fiscal situation, as well as the fiscal position of other levels of government and of governments in other countries, and advises on the government's economic policy framework, its budget planning framework, and spending priorities. This sub-program is responsible for monitoring and preparing forecasts of Canada's economic and fiscal position and plays a lead role in the management of the government's fiscal framework. The sub-program also provides analytical support on a wide range of economic and financial issues related to the government's macroeconomic and structural policies. This sub-program is necessary to help ensure that fiscal planning in the Government of Canada is transparent and supports long-term fiscal sustainability. Sound fiscal planning provides significant benefits to Canadians and businesses in Canada. It gives the government the strength to withstand fiscal and economic challenges and ensures that the costs of investments and services are not passed on to future generations. Sound economic and fiscal policies also enable the Canadian economy to better respond to various economic shocks.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 12.2 | 24.2 | (12.0) |

**Human Resources (FTEs) – Sub-Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 79 | 70 | 9 |

## Rationale for Variances

The variance between planned spending and actual spending was primarily attributable to expenditures approved through the Supplementary Estimates, as well as to savings measures announced in *Economic Action Plan 2012*. These items were not available at the time of the preparation of the *2012–13 Report on Plans and Priorities*.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| The Minister, the Deputy Minister and senior officials have access to policy analysis, research and advice in support of fulfilling their duties related to the Government of Canada's economic and fiscal agenda. | Degree of compliance with deadlines of briefings to the Minister, the Deputy Minister and/or senior staff following regular economic and statistical releases and reports (e.g., house cards, Deputy Ministers' Breakfast briefing). | 100 per cent compliance. | Met 100 per cent. During the course of 2012–13, the Economic and Fiscal Policy Branch provided ongoing briefings and analysis to the Minister, the Deputy Minister and senior officials on domestic and international economic and fiscal developments. |
| | Degree of compliance with deadlines of ad hoc briefings requested by the Minister, the Deputy Minister and/or senior staff. | 100 per cent compliance. | Met 100 per cent. The Department of Finance Canada responded to ad hoc requests in a timely and effective manner. |
| | Provision of ad hoc briefings as deemed necessary by Branch management. | No target, as materials are generated on an as-needed basis according to the environment. | When deemed necessary, the Department provided ad hoc briefings to the Minister and senior management on various economic and fiscal issues. |
| | Degree of compliance with deadlines for regular consultations with the private sector, to produce a forecast. | 100 per cent compliance. | Met 100 per cent. The Department undertook five surveys of private sector forecasters in 2012–13 (June, September, October and December 2012 and March 2013) in a timely manner ahead of the Update of Economic and Fiscal Projections and *Economic Action Plan 2013*. |

## Performance Analysis and Lessons Learned

*Economic Action Plan 2012* and *Economic Action Plan 2013* marked progress toward achieving the government's objective of returning to a balanced budget by 2015. *Economic Action Plan 2012* announced the results of the departmental spending review, and implementation is now underway. *Economic Action Plan 2013* committed a return to a balanced budget by 2015. The Department of Finance Canada continues to conduct transparent, timely and accurate fiscal

planning. In 2012–13, the Department was responsible for the monthly publication of the *Fiscal Monitor*; the release of the Annual Financial Report of the Government of Canada, and the Fiscal Reference Tables in October 2012; the publication of the Department's first long-term fiscal sustainability analysis, entitled the *Economic and Fiscal Implications of Canada's Aging Population*, in October 2012; the November 2012 Update of Economic and Fiscal Projections, and *Economic Action Plan 2013*.

During the fiscal year, the Department analyzed economic and fiscal developments in Canada and advised the Cabinet on the implications for the government's fiscal framework. It also provided the Minister with analysis on a wide range of economic and financial issues related to the government's policies, such as developments in the housing market, skills mismatch, the financial situation of the middle class, and the Canada-US price gap. The Department undertook five surveys of private sector forecasters in 2012–13 and continues to assess potential risks to the economic outlook. Given the complex interaction between international and domestic economic and policy developments, the Department of Finance Canada closely monitored economic developments in Canada's major trading partners, particularly the United States and Europe. The Department took the lead role in facilitating the annual economic assessment of Canada conducted by the IMF and the 2012 Economic Survey of Canada conducted by the OECD.

The Department's ability to interpret economic data and understand the implications of sector-specific policy actions on broader macroeconomic outcomes depends on access to good quality, timely data to aid in policy development, and having well-informed staff that are able to make use of this resource. An example of this was the Department's work over the past year on issues related to the Canadian housing market. The Department will ensure that it continues to have access to quality data and that appropriate training is provided so that analysts can interpret and make use of such data in supporting prudent economic and fiscal management.

## Sub-Program 1.1.3: Economic Development Policy

### Description

This sub-program is responsible for fulfilling the challenge function of the Department of Finance Canada by monitoring major economic policy issues and proposals under development in the applicable departments, as well as providing policy advice to the Minister regarding the financial implications and relevance of the government's microeconomic policies and programs and proposals for the funding of programs. The sub-program focuses on monitoring research, economic developments and proposals, and developing regional and sectoral policy analysis in the areas of knowledge-based economy, defence, transportation, public infrastructure, environment, energy and resources, agriculture, fisheries, and privatization. It also plays a lead role in advising on corporate restructuring affecting Crown corporations and other corporate holdings. To prepare the government's annual budget and estimate the size of the budget balance, the Department needs to assess and make recommendations on numerous proposals for new program spending emanating from line departments and the private sector. This activity is critical if the government is to make choices that contribute to advancing economic growth.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 6.2 | 6.2 | — |

**Human Resources (FTEs) – Sub-Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 52 | 44 | 8 |

## Rationale for Variances

Planned spending did not include operating resources received through the Supplementary Estimates process for the Toronto Waterfront Revitalization Initiative. This increase was offset by savings measures announced in *Economic Action Plan 2012*, resulting in a nil variance.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| The Minister, the Deputy Minister and senior officials have access to policy analysis, research and advice in support of fulfilling their duties related to the Government of Canada's sectoral and microeconomic policies and programs, and proposals for the funding of these programs. | Issues related to sectoral and microeconomic policies and programs are reflected in budget decisions, Updates of Economic and Fiscal Projections, and other related announcements. | No target, as materials are generated on an as-needed basis according to the environment. | A large proportion of the Department of Finance Canada's briefings pertain to proposals and developments of a sectoral or regional nature, including agriculture, fisheries, forestry, manufacturing, infrastructure, the Canadian public-private partnership (P3) market, transport, innovation, defence, energy, environment, regional development agencies, and the small business sector.<br><br>The Department also played an instrumental role in the design and implementation of the *Economic Action Plan 2012* commitment for venture capital, which resulted in the government's Venture Capital Action Plan, announced jointly by the Prime Minister and the Minister of Finance in January 2013.<br><br>The Department provided analysis and recommendations through more than 120 budget briefing notes under this sub-program, which led to the inclusion of a significant number of new policy measures in *Economic Action Plan 2013*. |

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| | Frequency of contact with research community, stakeholders and other government departments. | No target, as contacts take place on an as-needed basis according to the environment | The Department of Finance Canada maintained relationships with departments and key stakeholders to support its research and analysis, and its advice and recommendations to the Minister. Examples include:<br>• The Department engaged in regular contact with key stakeholders on relevant policy issues, including advanced research, industrial development, and the performance of sectors such as transportation, agriculture, fisheries, automotive, aerospace, information and communications technology, natural resources and tourism, the environment, business marketplace frameworks and defence.<br>• The Department led extensive consultations on how to best support the creation of a sustainable, private sector-led venture capital sector in Canada. |

## Performance Analysis and Lessons Learned

The Department of Finance Canada continued to ensure the effective management of the fiscal framework, including acting on the government's plan to bring the budget back to balance by 2015 by supporting the implementation of the measures announced in the government's recent budgets, including savings and efficiency-related measures.

In support of the Economic Development Policy sub-program, 120 briefings were prepared by departmental officials to inform possible measures for *Economic Action Plan 2013*. A large proportion of these briefings pertained to proposals and developments of a sectoral or regional nature, including agriculture, fisheries, forestry, manufacturing, infrastructure, the Canadian P3 market, transport, innovation, defence, energy, environment, regional development agencies, and the small business sector. During summer and fall 2012, the Department led extensive consultations on how to best support the creation of a sustainable, private sector-led venture capital sector in Canada, which involved meetings with over 250 key stakeholders across the country and in the United States (for example, venture capital firms, financial institutions, pension funds and insurance companies, corporate strategic investors, provincial officials and post-secondary institutions), and reviewing over 75 submissions from interested stakeholders.

To help discharge new responsibilities (notably, the Venture Capital Action Plan), the Department used flexible staffing arrangements to draw on expertise throughout the Economic and Fiscal Policy Branch. This expertise enabled the Department to execute a number of special projects, while giving employees an opportunity to develop their skills by providing opportunities to work on projects that involved responsibilities outside the usual budget process.

## Sub-Program 1.1.4: Federal-Provincial Relations and Social Policy

### Description

This sub-program is responsible for coordinating federal-provincial fiscal arrangements between Canada and the provinces and territories that enable the funding of national priorities and support reasonably comparable services at reasonably comparable tax rates across the country. It is also responsible for fulfilling the challenge function of the Department by providing policy analysis and advice to the Minister regarding the fiscal and economic implications of the government's social policies and programs related to health care, immigration, employment insurance and pensions, post-secondary education, Aboriginal and cultural programs, as well as programs for seniors, persons with disabilities, veterans and children. The sub-program conducts research and provides analysis and advice to the Minister and senior government officials to assist in preparation for meetings of Cabinet and its committees, the annual budget, fiscal updates, and responsibilities with respect to Employment Insurance and the Canada Pension Plan legislation. It is also responsible for preparing legislation and regulations under the responsibility of the Minister of Finance. Long-term, predictable, stable, transfer support for provinces and territories and improvements to the social policy framework contribute to improved public services for Canadians, support the quality of Canada's communities, health care, education and social safety net programs, and promote equality of opportunity for all citizens. At the same time, Canada's productivity and economic prosperity are enhanced by these supports and programs.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 7.0 | 6.9 | 0.1 |

**Human Resources (FTEs) – Sub-Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 61 | 51 | 10 |

## Rationale for Variances

The variance between planned spending and actual spending was primarily attributable to savings measures announced in *Economic Action Plan 2012*, which were not available at the time of the preparation of the *2012–13 Report on Plans and Priorities*.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| The Minister, the Deputy Minister and senior officials have access to policy analysis, research and advice in support of fulfilling their duties related to the Government of Canada's social policy agenda as well as to the government's policy framework for transfer payments to provinces and territories. | Frequency of contact with, and engagement of, research community, stakeholders, provincial and territorial officials, and other government departments. | No target, as contacts take place on an as-needed basis according to the environment. | Leading up to the renewal of the Equalization and Territorial Formula Financing programs, the Department of Finance Canada held regular discussions with provincial and territorial officials at the Fiscal Arrangements Committee, the Transfers Sub-Committee and the Senior Financial Arrangements Committee Working Group.<br>The Department continued to engage with provincial and territorial officials on the Canada Pension Plan (CPP).<br>The Department continued to engage with other departments and agencies on a range of issues in order to further the government's social policy agenda. |
| | Issues related to social policy and major transfer programs are reflected in budget decisions, Updates of Economic and Fiscal Projections, and other related announcements. | No target, as materials are generated on an as-needed basis according to the environment. | Announcements on the renewal of the Equalization and Territorial Formula Financing programs were made at the December 2012 Finance Ministers' Meeting. These changes were confirmed in *Economic Action Plan 2013*.<br>The Department produced briefings for the Minister and senior management on issues such as Canada's retirement income system, major fiscal transfers, the government's crime and security agenda, the labour market, Employment Insurance and immigration programs, as well as programming for persons with disabilities, Aboriginal peoples, and sport and culture. This work contributed to the development of measures announced in *Economic Action Plan 2013*. |
| | Number of Cabinet Committee and policy/analytical briefing notes prepared for the Minister, the Deputy Minister and/or senior officials. | No target, as materials are generated on an as-needed basis according to the environment. | The Department prepared a significant number of briefing notes on a wide range of policy proposals discussed at regular weekly Cabinet Committee meetings, as well as analytical notes to the Minister, the Deputy Minister and senior officials on a wide range of social policy and transfer issues, including during the pre-budget period, briefings and consultations with stakeholders and other levels of government. |

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| | Percentage of priorities and tasks identified in Branch annual work plan achieved. | 100 per cent | Met 100 per cent. All the priorities and tasks that fell within this area of responsibility were achieved. |

## Performance Analysis and Lessons Learned

The Department of Finance Canada has been engaged and will continue to be engaged in the process of developing policy proposals that are consistent with, and deliver on, the government's priorities in areas such as labour markets, skills training, immigration, justice and public safety, health, culture, income security and Aboriginal issues. The Department has also provided analysis and advice with respect to key labour market-related programs, including Employment Insurance, labour market training, post-secondary education and immigration, which support jobs and sustained economic growth.

In addition, the Department continued to provide analysis of the implications of the government's social policies and programs related to the retirement income system, Aboriginal peoples, immigration, seniors, persons with disabilities, veterans and children, social housing, justice and public safety, health, and cultural programs. The Department has also developed and maintains strong working relationships with provincial and territorial officials through the Canada Pension Plan (CPP) Committee. This has facilitated the federal-provincial-territorial work to undertake Triennial Reviews of the CPP and more recently supported federal, provincial and territorial Finance Ministers in their consideration of a potential modest expansion to the CPP.

The Department has been proactive in identifying potential pressures and has been responsive in addressing emerging issues. This has been made possible by ensuring effective communication with other government departments and central agencies at all levels of officials. These communication processes have assisted the Department in establishing its priorities and being responsive in addressing urgent issues and policy development. For example, the Department is actively participating in the Working Group on Financial Arrangements with Aboriginal Affairs and Northern Development Canada, the Treasury Board of Canada Secretariat, and the Assembly of First Nations following the commitment at the Crown-First Nations Gathering in January 2012. The Department also provides direction on strategic and fiscal issues at the Federal Steering Committee on Self-Government and Comprehensive Claims, which engages federal departments and agencies on modern treaty implementation.

The Department will continue to build on relationships with provincial and territorial officials to ensure a high level of ongoing collaboration, including for the upcoming 2013–15 Triennial Review process as the CPP Committee supports ministers in reviewing the financial state of the CPP, and considering potential improvements. The Department is committed to fostering information-sharing processes within the CPP Committee, ensuring a high level of participation from provinces and territories, and promoting transparency within the Committee. The Department will continue to engage provinces and territories on a regular basis on various issues related to the CPP.

In response to an evaluation of the Federal-Provincial Relations Division, conducted by Internal Audit and Evaluation, the Department is committed to including "discussions of transparency issues at Transfers Sub-Committee meetings over the coming twelve months to allow provincial and territorial officials to explain their concerns regarding transparency of the methodologies currently used to determine transfer entitlements." The evaluation report can be found on the Department's website.[xi]

## Sub-Program 1.1.5: Financial Sector Policy

### Description

This sub-program ensures the overall stability, soundness, efficiency, and competitiveness of Canada's financial sector in support of strong, sustainable growth in the Canadian economy. This sub-program provides analysis of Canada's financial services sector and financial markets, and develops the legislative and regulatory framework governing federally regulated financial institutions (banks, trust companies, insurance companies, and co-operative credit associations) and federally regulated defined benefit pension plans. This sub-program is also responsible for issues related to anti-money laundering and anti-terrorist financing. It plays a lead role in conducting Canada's relations and negotiating Canada's commitments with foreign governments in the area of trade in financial services.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 13.9 | 13.1 | 0.8 |

**Human Resources (FTEs) – Sub-Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 99 | 93 | 6 |

## Rationale for Variances

The variance between planned spending and actual spending was primarily attributable to savings measures that were announced in *Economic Action Plan 2012*, which were not available at the time of the preparation of the *2012–13 Report on Plans and Priorities*, and to time-limited funding that was not fully used in 2012–13.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| The Minister, the Deputy Minister and senior officials have access to policy analysis, research and advice on the financial sector to foster confidence and support stable, efficient and competitive financial institutions and markets, thus supporting the Government of Canada's financial sector policy agenda. | Provision of briefings (proactive and reactive) to the Minister, the Deputy Minister and/or senior staff. | No target, as materials are generated on an as-needed basis according to the environment. | The Department of Finance Canada provided reactive and proactive briefings to the Minister, the Deputy Minister and senior staff on areas under the purview of the Department. These included briefing notes and oral briefings on financial stability issues, housing finance, financial institutions' performance, financial market developments, the establishment of a common securities regulator, payments system governance, the domestic and international anti-money laundering and anti-terrorist financing regimes, pension fund solvency, financial consumer issues, over-the-counter derivative reform, and the financial services components of international trade negotiations. |
| | Ongoing monitoring, evaluation and assessment of the Canadian and international financial sector, including financial markets. | No target, as materials are generated on an as-needed basis according to the environment. | The Department regularly monitored and provided assessments of the implementation of internationally agreed financial sector reforms. The Department also assessed the potential implications of a European sovereign debt crisis on the Canadian financial system.<br>The Department conducted daily monitoring and reporting of financial market developments and risks. |

## Performance Analysis and Lessons Learned

In 2012–13, the Department of Finance Canada made significant progress in a number of priority areas to promote a stable, efficient and competitive financial sector in Canada and internationally. Progress made includes the development of a risk management framework for domestic systemically important banks; improvements to the housing finance framework; and the development of options to improve the sustainability of individual pension plans and to encourage retirement savings.

The Department continued to make progress in implementing the G20 financial sector reform agenda, including advancing work on the Canadian resolution framework and establishing a framework to support central clearing of over-the-counter derivatives. To protect consumers of financial services, the Department supported passage of Financial Literacy Leader legislation, engaged financial sector stakeholders to better understand the unique challenges faced by seniors

in combatting financial abuse, and advanced many regulatory amendments to protect financial consumers, including in respect of prepaid cards and external complaint handling. The Department continued to work on enhancing Canada's anti-money laundering and anti-terrorist financing policy and laws in partnership with the organizations involved in Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime. This included regulatory enhancements in respect of customer identification and due diligence requirements.

The Department continued to monitor systemic vulnerabilities and developed appropriate contingency plans, in cooperation with the Bank of Canada, the Office of the Superintendent of Financial Institutions Canada, the Canada Deposit Insurance Corporation, and the Financial Consumer Agency of Canada. It also continued to review the legislative frameworks governing federally regulated financial institutions to reflect changes in the environment and ensure resilience. To support financial stability, the government finalized implementation of the legal framework for Canadian covered bonds. A senior-level public-private consultative committee (FinPay) was established to report on emerging issues in the payments sector. A mobile addendum to the *Code of Conduct for the Credit and Debit Card Industry in Canada* was released for public consultation. In addition, work advanced on reviewing the governance of the payments sector.

The importance of regular monitoring of financial market developments and global risks and developing appropriate contingency plans was key to fostering a financial sector regulatory and supervisory framework that contributed to financial stability. Continued development of new methods to enhance the control and management of these risks, such as the Prudential Liquidity Plan, which safeguards the government's ability to meet payment obligations in situations where normal access to funding markets may be disrupted or delayed, will be critical in the future. The Department needs to maintain its engagement with provinces, stakeholders and experts on the establishment of a common securities regulator on a cooperative basis.

The Department also began developing and assessing options for a federal capital markets regulatory regime that would fulfill Parliament's responsibilities for capital markets, consistent with the Supreme Court's decision, should a timely agreement not be reached on a common securities regulator. The initiative to establish a common securities regulator experienced a significant setback when, on December 22, 2011, the Supreme Court ruled unanimously that the proposed Canadian Securities Act as drafted was not valid under the federal power to regulate trade and commerce. Despite having contingency plans in place, further analysis of the potential that the Act be declared ultra vires would have allowed for a better understanding of the uncertainties resulting from the decision.

## Sub-Program 1.1.6: International Trade and Finance

### Description

The aim of this sub-program is to promote sustainable international economic growth and financial stability, secure access to key markets for Canadian exporters and investors and to reduce tariffs where possible in order to enhance the competitiveness of domestic industries and expand commercial opportunities for them. This sub-program also manages the Department's participation in international financial institutions such as the IMF, World Bank, and the

European Bank for Reconstruction and Development, and international economic coordination groups such as the G20, G7, and the Asia-Pacific Economic Co-operation forum. Canada's economic performance and future prosperity depend on a strong and stable global economy, as well as trade and investment flows supported by high standards of multilateral, regional, and bilateral trade and investment agreements. Canadian leadership and influence on international economic, financial, development, and trade issues increase financial and economic stability.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 9.8 | 9.2 | 0.6 |

**Human Resources (FTEs) – Sub-Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 79 | 68 | 11 |

## Rationale for Variances

The variance between planned spending and actual spending was primarily attributable to savings measures that were announced in *Economic Action Plan 2012*, which were not available at the time of the preparation of the *2012–13 Report on Plans and Priorities*, and to time-limited funding for the G20 Framework Working Group, which was not fully used in 2012–13.

### Performance Results – Sub-Program Level

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| The Minister of Finance, the Deputy Minister and senior management have access to policy analysis, research and advice on promoting a strong and stable economy, including support for global poverty reduction, as well as trade and investment flows in support of domestic competitiveness. | Number of Cabinet Committee and policy/analytical briefing notes/binders prepared for the Minister, the Deputy Minister and/or senior officials. | No target, as outcomes depend on the international environment and demand. | Over the 2012–13 planning year, the Department of Finance Canada provided extensive analysis to the Minister, the Minister of State, and senior officials on international development issues, including the Minister's role as Canada's governor on the Boards of Governors of the World Bank and the European Bank for Reconstruction and Development, and in support of Canada's engagement with regional development banks.<br><br>The Department also developed comprehensive briefing books containing policy analysis and advice, which were provided to the Minister and senior officials for meetings of the G7, G8, G20, the IMF, the OECD, and the Asia-Pacific Economic Cooperation (APEC) forum, and presented several briefing materials on pressing and developing global economic risks, particularly the European sovereign debt crisis, which were sent to key decision makers on a frequent and proactive basis.<br><br>The Department also provided extensive analysis and advice to the G20 Deputy chairing the G20 Framework Working Group and supported negotiating commitments from G20 countries. |

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| | Issues related to Canada's international engagement, including trade relations, development assistance and international economic coordination are addressed in budget decisions, and other Ministerial decisions and announcements. | No target, as issues are addressed on an as-needed basis according to the environment. | Through measures announced in *Economic Action Plan 2013*, the department supported government efforts to streamline Canada's trade remedy system, modernize Canada's tariff preferences system for developing countries, promote of free trade zones, and eliminate certain consumer tariffs.<br>The Department also supported the implementation of *Economic Action Plan 2013* measures to transform Canada's delivery of international development assistance, including the amalgamation of the Canadian International Development Agency and Foreign Affairs and International Trade Canada. |
| | Percentage of commitments and tasks identified in the Branch annual business plan that are addressed. | 100 per cent. | Met 100 per cent. All commitments and tasks were completed on time and with a high degree of quality. |

## Performance Analysis and Lessons Learned

The Department's capacity to monitor macroeconomic developments continued to be enhanced in 2012–13. New monitoring products were developed to distribute intelligence to senior officials across the government. Areas of focus included analyzing developments in global capital markets and emerging sovereign debt pressures, the impacts of the economic policies of Japan's new government, European monetary policy and the European banking sector; and assessing progress of peripheral countries supported by IMF programs. The Framework for Strong, Sustainable and Balanced Growth is the key mechanism within the G20 for international economic cooperation to secure a strong and sustainable global recovery following the 2008–09 global economic and financial crisis. As co-chair of the Framework Working Group (along with India), Canada led in consulting and negotiating commitments from G20 countries to address short-term risks and vulnerabilities. Significant progress was made on the G20 Framework process in 2012–13. Canada drafted an Action Plan that was endorsed by leaders at the Los Cabos Summit in June 2012—a key deliverable for the Summit. Canada also led the development of the Los Cabos Accountability Assessment Framework, which allows the G20 to assess progress in meeting its commitments, and drafted the first assessment under this framework.

The Department provided ongoing advice to support Canada's engagement at the IMF. Action was taken through *Economic Action Plan 2012* legislation to implement Canada's commitment under the 2010 quota and governance review, and the Department was active in a G20 working group on the issues of quotas, surveillance, and the role of the institution in promoting a sound and stable international monetary system. In addition, the Department continued to implement tariff measures announced in *Economic Action Plan 2012* through legislation and regulation processes and through *Economic Action Plan 2013* measures to enhance the competitiveness of Canadian industries and to reduce the Canada-US price gap.

The ongoing and elevated risk emanating from the European recession and sovereign debt crisis underscored the importance of high-level engagement and dialogue at international forums. As a mid-sized country, proactive engagement with international partners, particularly at the G20 and G7, has enabled Canada to influence the global agenda and maintain pressure for appropriate policy action to mitigate risks. The fluctuating nature of the European recession and the sovereign debt and banking crisis also underscored the importance of redeploying resources to quickly analyze and respond to complex economic developments and emerging risks. Strengthened analytical capacity has been key to ensuring that the Minister and senior officials are well briefed and effectively promote Canada's position through international forums and the media.

In 2012–13, an evaluation of the International Trade and Finance sub-program was conducted by the Department's Internal Audit and Evaluation. It found that the management of the sub-program demonstrated economy and efficiency in its operations, including flexibility to adapt to changing external demands. It also found that overall, activities of the sub-program are aligned with the roles, responsibilities and priorities of the Department. In its report, Internal Audit and Evaluation noted that the key challenges for the International Trade and Finance Branch are sustaining its current strengths and continuing to improve its ability to contribute to Canada's effective international influence. The evaluation report can be found on the Department's website.[xii]

## Program 1.2: Transfer and Taxation Payment Programs

### Description

This Program includes the administration of transfer and taxation payments to provinces and territories as well as taxation payments to Aboriginal governments in accordance with legislation and negotiated agreements. Also included in this Program are commitments and agreements with international financial organizations aimed at supporting the economic advancement of developing countries. In addition, from time to time, the government will enter into agreements or enact legislation to respond to unforeseen pressures. These commitments can result in payments, generally statutory transfer payments, to a variety of recipients, including individuals, organizations, and other levels of government.

This program is supported by the following sub-programs:

1.2.1 Fiscal Arrangements with Provinces and Territories;

1.2.2 Tax Collection and Administration Agreements;

1.2.3 Commitments to International Financial Organizations;

1.2.4 Receipts from and Payments to Individuals and Organizations;

1.2.5 Toronto Waterfront Revitalization Initiative; and

1.2.6 Harbourfront Centre Funding Program.

**Financial Resources – Program Level ($ millions)**

| Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending 2012–13 | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) 2012–13 | Difference 2012–13 |
|---|---|---|---|---|
| 56,288.6 | 57,042.2 | 57,748.1 | 57,469.5 | (427.3) |
| Note: Departmental spending does not include taxation payment program amounts. | | | | |

**Human Resources (FTEs) – Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| — | — | — |
| Note: Full-time equivalent support for this program and its associated subprograms are not shown separately, but are instead incorporated into the FTE counts itemized for other associated programs. | | |

## Rationale for Variances

Actual spending for the Transfer and Taxation Payment Programs program exceeded planned spending by $427.3 million because of transfer payments that were not included in the *2012–13 Report on Plans and Priorities*, owing to final calculations not being complete prior to its publication, and revisions to some transfer payments from what had been originally planned.

**Performance Results – Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Design and administration of the provision of payments to Canadian provinces and territories in support of providing their residents with public services, and to international organizations to help promote the economic advancement of developing countries. | Regulations amended to reflect changes made to the Equalization program in budget legislation. | According to statutory requirements, or as determined by the environment. | Met. No regulatory changes were made to the Equalization and Territorial Formula Financing programs. |
| | Timely provision of information for Government of Canada reports. | No target, as materials are generated on an as-needed basis according to the environment. | Met. The Department of Finance Canada responded to information requests in a timely and comprehensive manner. |
| | Percentage of reporting requirements met, including reporting to Parliament, Office of the Auditor General of Canada, internal auditors, the IMF, the OECD, etc. | 100 per cent of requests fulfilled on time and in an accurate manner. | Met 100 per cent. The Department of Finance Canada responded to information requests in a timely and accurate manner.<br>Legislation requires the Minister to table reports in Parliament on the European Bank for Reconstruction and Development, the IMF and the World Bank Group by March 31 every calendar year. The 2011 reports were tabled in Parliament on March 30, 2012. |

## Performance Analysis and Lessons Learned

During 2012–13, the Department of Finance Canada was proactively engaged in identifying potential pressures and was responsive in addressing emerging issues related to Transfer and Taxation Payment Program and developing policy proposals that are consistent with, and deliver on, the government's priorities in areas such as labour markets, skills training, immigration, justice and public safety, culture, income security and Aboriginal issues.

The Department advised on the fiscal cost and design of initiatives associated with the implementation of the Beyond the Border Action Plan with the United States. Extensive analysis and advice were provided to ministers on Export Development Canada (EDC) and Canadian Commercial Corporation (CCC) issues, leading to decisions to revise EDC's regulations and modify CCC's business activities.

The Department actively participated and will continue to actively participate in the Federal Steering Committee on Self-Government and Comprehensive Claims, which engages federal departments and agencies on modern treaty implementation, by providing direction on strategic and fiscal issues.

In addition, the Department developed and maintains strong working relationships with provincial and territorial officials through the Canada Pension Plan (CPP) Committee. This

facilitated the federal-provincial-territorial work to undertake Triennial Reviews of the program and more recently supported ministers in their consideration of a potential modest expansion to the CPP. These relationships will also be important for the 2013–15 Triennial Review process as the Committee reviews the financial state of the CPP and considers potential improvements.

In response to an evaluation of the Federal-Provincial Relations Division that was undertaken over the September 2010 to June 2011 period, the Division committed to "include discussions of transparency issues at Transfers Sub-Committee meetings over the coming twelve months to allow provincial and territorial officials to explain their concerns regarding transparency of the methodologies currently used to determine transfer entitlements" by the second quarter of 2012–13. Transparency was discussed at a September 2012 Fiscal Arrangements Committee meeting of senior federal, provincial and territorial officials. The evaluation report can be found on the Department's website.[xiii]

## Sub-Program 1.2.1: Fiscal Arrangements with Provinces and Territories

### Description

In accordance with the *Federal-Provincial Fiscal Arrangements Act*, and other related Acts and regulations, this sub-program administers transfer payments to provinces and territories as set out in legislation including fiscal equalization, Territorial Formula Financing, and support for health and social programs through the Canada Health Transfer and the Canada Social Transfer. Long-term, predictable, stable transfer support for the provinces and territories contributes to improved public services for Canadians and support the quality of life in Canada's communities. In addition, from time to time, the federal government may provide additional, time limited, targeted support to provinces and territories in areas of shared priorities.

This sub-program is supported by the following sub-sub-programs:

1.2.1.1. Equalization and Territorial Formula Financing;

1.2.1.2. Canada Health Transfer;

1.2.1.3. Canada Social Transfer; and

1.2.1.4 Targeted Support to Provinces and Territories

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 56,313.8 | 56,810.3 | (496.5) |

## Rationale for Variances

The primary contributing factor to the variance between planned spending and actual spending was the Additional Fiscal Equalization Payment – Total Transfer Protection transfer payment. The amount of this transfer payment was $679.7 million. There was no amount included in planned spending for 2012–13 because the *2012–13 Report on Plans and Priorities* was prepared before the payment was legislated in *Economic Action Plan 2012* and given royal assent in June 2012. In addition, the Payments to Provinces Regarding Sales Tax Harmonization transfer payment had expenditures that were $294.8 million lower than planned. The lower amount in actual spending is principally attributable to British Columbia returning its payments to the federal government as part of its decision to exit the HST.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Management of transfer payments to Canadian provinces and territories on time and in accordance with legislation and regulations. | Alignment of payments made with commitments. | 100 per cent alignment. | Met 100 per cent. All payments were made on time and in accordance with legislation and regulations.<br>In 2012–13, provinces and territories received $59 billion for Canada Health Transfer, Canada Social Transfer, Equalization and Territorial Formula Financing, an increase of $3 billion over 2011–12. |

# Sub-Sub-Program 1.2.1.1: Equalization and Territorial Formula Financing

## Description

Equalization payments are made to eligible provincial governments in fulfillment of the constitutional commitment to ensure provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation. Territorial Formula Financing achieves the same objective for all three territorial governments, recognizing the unique circumstances in the North.

**Financial Resources – Sub-Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 19,005.0 | 18,976.5 | 28.5 |

## Rationale for Variances

The variance between planned spending and actual spending was due to the Additional Fiscal Equalization Payment to Nova Scotia, which was $28.5 million lower than planned.

**Performance Results – Sub-Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Timely and accurate provision of Equalization and Territorial Formula Financing payments to provinces and territories. | Alignment of payments with commitments. | 100 per cent alignment. | Met 100 per cent. All payments were made on time and according to levels and formulas set out in legislation.<br>In 2012–13, the federal government provided $15.4 billion to provinces through the Equalization Program and $3.1 billion to territories through the Territorial Formula Financing Program. |

## Sub-Sub-Program 1.2.1.2: Canada Health Transfer

### Description

The Canada Health Transfer provides long-term support for health care to provincial and territorial governments. It supports the government's commitment to maintain the national criteria and conditions of the *Canada Health Act* (comprehensiveness, universality, portability, accessibility, and public administration and the prohibitions against user fees and extra-billing) and commitments made under Health Accords.

**Financial Resources – Sub-Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 28,819.1 | 28,912.3 | (93.2) |

### Rationale for Variances

The difference between planned spending and actual spending of $93.2 million was attributable to the re-estimation of the additional 2010–11 Canada Health Transfer (CHT) payment to Ontario to ensure that it received the same per capita amounts as other Equalization-receiving provinces, as implemented in Budget 2009, and the amount for deductions under the *Canada Health Act*. The amount of this transfer payment was determined in October 2012, which was after the *2012–13 Report on Plans and Priorities* was prepared.

**Performance Results – Sub-Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Timely and accurate administration of CHT payments to provinces and territories in support of health care. | Alignment of payments with commitments. | 100 per cent alignment. | Met 100 per cent. All CHT payments were made on time and according to levels and formulas set out in legislation.<br>In 2012–13, the federal government provided almost $29 billion to provinces and territories through the CHT. |

## Sub-Sub-Program 1.2.1.3: Canada Social Transfer

### Description

The Canada Social Transfer provides long-term, support to provincial and territorial governments to assist them in financing social programs, postsecondary education, and programs for children. It gives provinces and territories the flexibility to allocate payments among supported areas according to their priorities and supports the federal government's commitment to prohibit minimum residency requirements for social assistance. Payments for these major transfers are made in accordance with the terms and conditions established in the *Federal-Provincial Fiscal Arrangements Act* (FPFAA), and associated regulations.

**Financial Resources – Sub-Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 11,859.5 | 11,859.5 | — |

**Performance Results – Sub-Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Timely and accurate provision of Canada Social Transfer payments to provinces and territories in support of social services and social assistance, post-secondary education, and programs for children. | Alignment of payments with commitments. | 100 per cent alignment. | Met 100 per cent. All Canada Social Transfer payments were made on time and according to levels and formulas set out in legislation.<br>In 2012–13, the federal government provided $11.9 billion to provinces and territories through the Canada Social Transfer. |

# Sub-Sub-Program 1.2.1.4: Targeted Support to Provinces and Territories

## Description

From time to time, the federal government commits to providing additional, time-limited, targeted support to the provinces and territories in areas of shared priority including health, social, and other sectors. For example, the government has provided support for the development and implementation of patient wait time guarantees. These payments are made in accordance with the terms and conditions established in associated legislation and regulations.

**Financial Resources – Sub-Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| (3,369.8) | (2,938.0) | (431.8) |

## Rationale for Variances

The primary factor contributing to the variance between planned spending and actual spending was the Additional Fiscal Equalization Payment – Total Transfer Protection transfer payment. The amount of this transfer payment was $679.7 million. There was no amount included in planned spending for 2012–13 because the *2012–13 Report on Plans and Priorities* was prepared before the payment was legislated in *Economic Action Plan 2012* and given royal assent in June 2012. In addition, there were lower recoveries in the Youth Allowance Recovery and Alternative Payments for Standing Programs, which were $41.4 million lower than planned. These amounts were partially offset by the Payments to Provinces Regarding Sales Tax Harmonization transfer payment, which had expenditures that were $294.8 million lower than planned. The lower amount in actual spending was primarily attributable to the return of payments made by British Columbia as part of its decision to exit the HST.

**Performance Results – Sub-Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Timely and accurate provision of payment to provinces and territories for targeted support. | Alignment of payments with commitments. | 100 per cent alignment. | Met 100 per cent. All targeted support payments were made according to the levels and formulas set out in legislation. The government provided $680 million in Total Transfer Protection to provinces ($13 million to Nova Scotia, $103 million to New Brunswick, $362 million to Quebec, and $201 million to Manitoba), to ensure that no province's total major transfers were lower than in 2011–12. |

### Performance Analysis and Lessons Learned

To support sustainable economic growth, all major federal transfers to provinces and territories, have continued to grow to record levels at a sustainable and affordable rate. The Minister of Finance presented details on transfer amounts for 2013–14 to provincial and territorial finance ministers at their December 2012 meeting. The Minister also provided details on the technical improvements for the renewal of the Equalization and the Territorial Formula Financing programs for five years beginning in 2014–15.[xiv] *Economic Action Plan 2013* confirmed these changes.

Delivering more web-based presentations in addition to traditional conference calls has increased the flow of information between federal officials and their provincial and territorial counterparts. The Department of Finance Canada received positive feedback from provinces and territories, specifically in the context of discussing technical aspects of the Equalization and Territorial Formula Financing programs.

The Department continued to provide analysis and advice on a broad range of transfer and social policy issues, including the labour market and immigration, the Canada Pension Plan, Aboriginal policy, and skills development. Notably, Budget 2013 announced the creation of the Canada Job Grant, as part of the renewal of the Labour Market Agreements in 2014–15, and announced that the Labour Market Development Agreements would be renegotiated with provinces and territories to reorient training toward labour market demand.

*Economic Action Plan 2013* also announced a range of measures aimed at creating opportunities for apprentices and at supporting labour market participation of other under-represented groups, including youth, Aboriginal peoples and newcomers. The list of labour market-related items is available on the Economic Action Plan website.[xv]

## Sub-Program 1.2.2: Tax Collection and Administration Agreements

### Description

This sub-program manages the payment of amounts to provinces, territories and Aboriginal governments in accordance with the terms and conditions established in the Tax Collection and Tax Administration Agreements, the *Federal-Provincial Fiscal Arrangements Act* and the *First Nations Goods and Services Tax Act*. This includes payments related to provincial and territorial personal income tax and corporate income tax as well as Aboriginal sales and income taxes. Tax collection agreements with provinces and territories allow the federal government to streamline service and reduce compliance and administrative costs by having a single tax form and a single tax collector. Tax administration agreements with Aboriginal governments allow the federal government to vacate and share a negotiated portion of its Goods and Services Tax and personal income tax room with Aboriginal governments and to administer Aboriginal tax regimes.

### Financial Resources – Sub-Program Level ($ millions)

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| — | — | — |

**Note:** There are no financial resources shown for this sub-program because it relates to tax collection and administration agreements whereby the federal government administers certain taxes on behalf of a number of provinces, territories and Aboriginal governments and then transfers amounts to those governments on whose behalf the taxes were administered.

### Performance Results – Sub-Program Level

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Management of payments related to tax collection and administration agreements with provinces, territories and Aboriginal governments. | Alignment of payments made with the terms and conditions of existing tax collection and administration agreements. | 100 per cent alignment. | Met 100 per cent. The Tax Collection and Administration Agreements sub-program calculated estimates of the amounts payable to provinces, territories and Aboriginal governments under the terms of the relevant administration agreements; made payments on the basis of these estimates; and prepared interim and final recalculations, as applicable, of the amounts payable to each province, territory and Aboriginal government.<br><br>During 2012–13, the Department of Finance Canada continued its ongoing responsibility to manage the revenue allocation framework under which HST provinces (participating provinces) and Canada receive their respective shares of HST revenue, including work with the Office of the Auditor General of Canada and with provincial auditors to ensure the accuracy and integrity of revenue entitlement payments. In addition, the Department continued to work with HST provinces to address issues raised during federal-provincial meetings. |

## Performance Analysis and Lessons Learned

Under this sub-program, the Department of Finance Canada facilitated the Government of Quebec's decision to harmonize the Quebec Sales Tax with the Goods and Services Tax on January 1, 2013. The Department also worked with the Government of British Columbia to facilitate the province's decision to exit the HST on March 31, 2013. The Department carried out negotiations that resulted in the signing of a Canada-Prince Edward Island Comprehensive Integrated Tax Coordination Agreement and worked with the province to facilitate its adoption of the HST on April 1, 2013. The Department also developed and supported the passage of regulations related to the implementation of the HST.

In addition, the Department continued to work with provinces and territories to improve and enhance the application and administration of the Tax Collection Agreements (TCAs), including working with the parties to the agreements to complete a follow-up report on the review of TCAs. The Department also worked with the Office of the Auditor General of Canada on the annual audit of payments made under the TCAs.

## Sub-Program 1.2.3: Commitments to International Financial Organizations

### Description

This sub-program administers Canada's international financial commitments associated with Paris Club and the Canadian Debt Initiative (CDI) debt rescheduling agreements and for financial support to international organizations. It administers transfer payments to Export Development Canada (EDC) and the Canadian Wheat Board (CWB) in order to compensate these agencies when their scheduled receipts from debtor countries have been reduced by Canada's participation in Paris Club debt or debt service reduction agreements and/or the CDI. It also administers Canada's commitments under the Multilateral Debt Relief Initiative (MDRI). These payments compensate the IMF, the World Bank and the African Development Fund for cancelling debt owed to them by heavily-indebted poor countries. The objective of bilateral and multilateral debt relief is to reduce the debt load of developing countries, put them back onto a path of financial sustainability and to free up resources in their national budgets to support their development objectives. This sub-program also administers the issuance and encashment of demand notes and capital subscriptions for Canada's commitments with international financial institutions, such as the International Development Association (IDA) and the European Bank for Reconstruction and Development (EBRD), to enable these institutions to fulfill their mandate.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 723.4 | 605.0 | 118.4 |

### Rationale for Variances

Actual spending was lower than planned spending because of compensation payments to Canadian agencies for debt relief that were lower than planned owing to timing factors, such as progress with economic reforms in debtor countries and the timing of stabilization programs supported by the IMF. This factor was partially offset by non-budgetary expenditures to international organizations that were not included in the *2012–13 Report on Plans and Priorities*.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Management of payments to international organizations and Canadian creditors consistent with Government of Canada commitments. | Alignment of payments made compared to commitments. | 100 per cent alignment. | Met 100 per cent. In 2012–13, Canada honoured all requests for drawings on Canadian commitments by the IMF and followed through on its commitments to provide funding for recapitalization and replenishment of international financial institutions. All such contributions were processed appropriately and in a timely manner. |

## Performance Analysis and Lessons Learned

Over the past three years, the Department of Finance Canada advanced international development goals. The Department provided technical support and policy advice to the Canadian International Development Agency in the creation of various repayable contribution agreements with international partners. These innovative financing tools improve Canada's ability to achieve global development goals while also demonstrating fiscal restraint. The Department also assumed a leadership role through the G20 to advance the development of an innovative financing mechanism for agriculture. The Department supported Canada's leadership role at major multilateral development banks through advice provided to executive directors and by following through on commitments for recapitalization and replenishment. This funding serves to advance Canada's influence within the institutions and the geographic regions in which they operate, and supports their efforts to reduce global poverty.

# Sub-Program 1.2.4: Receipts from and Payments to Individuals and Organizations

## Description

From time to time, the government will enter into agreements or legislation to provide targeted support to individuals and organizations. This sub-program manages the payment of such commitments in accordance with the agreed terms and conditions.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| — | 39.2 | (39.2) |

### Rationale for Variances

The expenditures in this sub-program consisted of $32.2 million in budgetary expenditures related to net loss on exchange and $7 million in non-budgetary expenditures related to advances pursuant to section 13(1) of the *Financial Consumer Agency of Canada Act*. Given the nature of foreign exchange rate fluctuations, these amounts were not specifically forecast in the *2012–13 Report on Plans and Priorities*. Advances to the Financial Consumer Agency of Canada were also not specifically forecast in planned spending, as these advances were fully repaid within the year.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Management of payments to organizations and Canadian creditors consistent with Government of Canada commitments. | Value of payments made compared to commitment. | Payments made each fiscal year equal commitments in the corresponding federal budget. | Met. 100 per cent of payments were made as committed in *Economic Action Plan 2012*. |

## Sub-Program 1.2.5: Toronto Waterfront Revitalization Initiative

### Description

The Toronto Waterfront Revitalization Initiative (TWRI) aims to revitalize the Toronto waterfront through investments in both traditional infrastructure, such as local transportation and sewers, and urban development of parks, green spaces and tourism-related facilities. The projects that form part of the TWRI bring much-needed economic redevelopment to areas of the city that are currently under-used and draw more economic, social and cultural activity to Toronto's waterfront.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| — | 10.0 | (10.0) |

## Rationale for Variances

The variance between planned spending and actual spending in this sub-program was due to a funding re-profile that was required to meet new project requirements.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Sustainable urban development and infrastructure renewal in the Toronto waterfront area, including increased accessibility to, and usage of, the waterfront area and a revitalized urban infrastructure. | New public transit capacity as indicated by kilometres of service. | 100 per cent alignment with Toronto Waterfront Revitalization Corporation's (TWRC's) planned results for the time period. | Met 100 per cent. Activities related to the planning and design of additional kilometres of public transit to which the federal government has provided funding has been completed. |
| | Square metres and value of recreation, commercial and residential space (including affordable housing). | 100 per cent alignment with TWRC's planned results for the time period. | Met 100 per cent. Federally funded projects related to increased public accessibility to revitalized urban infrastructure are completed. Commercial and residential development is not being funded by the federal government. |
| | Square metres of habitat restoration and linear metres of shoreline protection. | 100 per cent alignment with TWRC's planned results for the time period. | Met 100 per cent. No shoreline protection work was planned for the year. |

## Performance Analysis and Lessons Learned

The federal government provided the TWRC with approximately $10 million in funding in 2012–13. This was the final instalment of the $500 million federal funding commitment to the TWRI. The administration of the TWRI contribution program will wind up by March 31, 2014.

In 2013–14, an evaluation of the TWRI will be conducted by Internal Audit and Evaluation. The proposed evaluation is in compliance with the Treasury Board *Policy on Evaluation*, which requires that all departmental direct spending be evaluated at least once every five years and with the *Financial Administrative Act*, which requires that program spending classified as contributions be evaluated once every five years.

## Sub-Program 1.2.6: Harbourfront Centre Funding Program

### Description

The Harbourfront Centre Funding Program provides support to Harbourfront Centre, a not-for-profit, provincially incorporated organization created to manage cultural and educational programming activities on the Toronto waterfront. The Harbourfront Centre Funding Program (HCFP) allows Harbourfront Centre to provide tourists and residents with continued access to cultural, recreational, and educational programs and activities.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 5.0 | 5.0 | 0.0 |

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| A self-reliant and financially-viable organization that supports the economic, social and cultural development of the Toronto waterfront. | Support for fixed operational and maintenance costs. | 100 per cent alignment with the Harbourfront Centre planned results for the time period. | Met 100 per cent. The HCFP provided $5 million in funding to support Harbourfront Centre's administrative and operational costs, helping the organization leverage funding from other government sources and pursue revenue-generating strategies. The funding allowed Harbourfront Centre to remain open and to carry out its mandate. |
| | Ongoing community access for the general public to the Harbourfront Centre site and its capital facility | 100 per cent alignment with Harbourfront Centre planned results for the time period | Met 100 per cent. Harbourfront Centre remained open, providing community and cultural programming for the general public in Toronto's waterfront area. |

### Performance Analysis and Lessons Learned

Budget 2011 announced the renewal of the HCFP at $5 million per year for five years through to 2015–16. The HCFP covers a portion of Harbourfront Centre's operational costs, allowing it to provide the general public with continued access to cultural, educational and recreational activities.

In 2013–14, an evaluation of the HCFP will be conducted by Internal Audit and Evaluation. The proposed evaluation is in compliance with the Treasury Board *Policy on Evaluation*, which requires that all departmental direct spending be evaluated at least once every five years and with the *Financial Administrative Act*, which requires that program spending classified as contributions be evaluated once every five years.

## Program 1.3: Treasury and Financial Affairs

### Description

This program provides direction for Canada's debt management activities, including the funding of interest costs for the debt and service costs for new borrowings. In addition, the program manages investments in financial assets needed to establish a prudent liquidity position. This program supports the ongoing refinancing of government debt coming to maturity, the execution of the budget plan, and other financial operations of the government, including governance of the borrowing activities of major government-backed entities, such as Crown corporations. This program is also responsible for the system of circulating Canadian currency (bank notes and coins) to meet the needs of the economy.

This program is supported by the following sub-programs:

1.3.1 Federal Debt Management;

1.3.2 Major Federated-Backed Entities Borrowing;

1.3.3 Prudential Liquidity and Reserves Management; and

1.3.4 Domestic Currency System.

**Financial Resources – Program Level ($ millions)**

| Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending 2012–13 | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) 2012–13 | Difference 2012–13 |
|---|---|---|---|---|
| 28,982.0 | 28,982.0 | 91,513.9 | 91,513.9 | (62,531.9) |

**Human Resources (FTEs) – Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 25 | 24 | 1 |

## Rationale for Variances

Actual spending in the Treasury and Financial Affairs program was higher than planned spending in 2012–13 because $65.2 billion in gross borrowing requirements of Crown corporations was not included in planned spending in the *2012–13 Report on Plans and Priorities*. This increase was partially offset by interest on unmatured debt and interest on other liabilities, which were $2.9 billion lower than planned. This decrease was explained by significantly lower interest rates and inflation rates in 2012–13 than were anticipated at the time of the 2011 Update on Economic and Fiscal Projections.

### Performance Results – Program Level

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Prudent and cost-effective management of the government's treasury activities and financial affairs. | Percentage of program line targets achieved. | 100 per cent of program line targets achieved. | Met 100 per cent. The Department of Finance Canada ensured that the government's borrowing was cost-effective and that treasury management was in keeping with leading risk management practices. The medium-term Debt Management Strategy ensured that funds continued to be raised and managed in a prudent and cost-effective manner. A description of the medium-term debt management strategy and projections for a number of debt management metrics can be found in the *Debt Management Strategy for 2013–14*.[xvi]<br>The Department continued, as part of a three-year plan, to enhance the government's financial and operational risk management practices by raising the level of liquid financial assets in the form of domestic cash deposits and foreign exchange reserves. Late in the fiscal year, the government announced that cash deposits held with the Bank of Canada would be fully funded earlier than anticipated, given the strong demand for government securities.[xvii]<br>The Department worked closely with Crown corporations and advised on Crown corporations' governance and financial affairs. It also implemented the final steps to phase out the penny from Canada's coinage system.[xviii] |
| | Alignment of contingency plans to potential financial and operational risk events | 100 per cent alignment | Met 100 per cent. The Department exercised sound control of financial and operational risks, without disruptions to program operations, and engaged in the development of new methods to enhance the control and management of these risks. In particular, the Prudential Liquidity Plan safeguarded the government's ability to meet payment obligations in situations where normal access to funding markets may be disrupted or delayed.<br>The Department achieved prudent and cost-effective management of the government's treasury activities and financial affairs by exercising sound control of financial and operational risks and making provisions to further enhance risk management practices in the future.<br>There were no disruptions to program operations arising as a result of financial and operational risk events demonstrating that all targets were fully met.<br>The Department worked closely with Crown corporations and advised on Crown corporations' governance and financial affairs. |

### Performance Analysis and Lessons Learned

In the area of debt and reserve portfolio management, the Department continued to implement the medium-term debt strategy, involving the introduction of new benchmark maturity dates and other actions to reduce refinancing risk, increased holdings of prudential liquidity, as well as improved metrics to measure progress. With long-term interest rates at historically low levels, the government increased issuance of 10-year bonds and reduced the stock of treasury bills and issuance of short-term bonds compared with 2011–12. Together, these actions helped achieve the government's objective of raising stable, low-cost funding while preserving a well-functioning Government of Canada securities market.

The Department will continue to implement the funding and investment plan to increase the government's liquidity position under the new Prudential Liquidity Plan. The objective of the Prudential Liquidity Plan is to safeguard the government's ability to meet payment obligations in situations where normal access to funding markets may be disrupted or delayed. With respect to circulating currency, the Department will continue to support the introduction of a new bank note series by the Bank of Canada and strong enforcement measures to reduce the incidence of counterfeiting, and work with the Royal Canadian Mint to enhance the efficiency of the circulating coinage system.

## Sub-Program 1.3.1: Federal Debt Management

### Description

The government's debt management sub-program includes the payment of interest costs on existing debt instruments and the servicing costs for new borrowings. The *Financial Administration Act,* Part IV, provides authority to the Minister of Finance to borrow in financial markets. The debt instruments of the government include bonds, treasury bills, Canada Savings Bonds, pension plans and accounts payables.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 28,862.0 | 26,244.2 | 2,617.8 |

### Rationale for Variances

The difference between planned spending and actual spending in this sub-program was principally attributable to the variance in interest on unmatured debt and interest on other liabilities, which was caused by two factors. First, actual interest rates in 2012–13 were lower than what had been expected by private sector economists at the time of the 2011 Update of Economic and Fiscal Projections. Second, inflation rates, which affect adjustments on real return bonds, were also lower in 2012–13 compared with projections contained in the 2011 Update of Economic and Fiscal Projections.

### Human Resources (FTEs) – Sub-Program Level

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 25 | 24 | 1 |

### Performance Results – Sub-Program Level

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Funding for government financial and debt management operations is sufficient and provided in a timely and cost-effective manner. | Percentage of operational needs for funds met. | 100 per cent | Met 100 per cent. Funding for government debt management operations was raised in a timely manner and in quantities sufficient to meet operational needs. Borrowing operations were successful in raising funds in a stable and cost-effective manner. All auctions were fully covered. |
| A Government of Canada securities market that allows for funds to be raised efficiently. | Frequency of consultations with market participants. | One per year. | Met one per year. As in past years, market participants were consulted periodically in 2012–13. Bilateral consultations with approximately 32 organizations across Canada (Victoria, Vancouver, Montreal and Toronto) were held in December. In addition, numerous bilateral and multilateral meetings were held with international investors, and new relationships were forged with colleagues from other countries, notably the United States Treasury, the United Kingdom Debt Management Office and the Australian Office of Financial Management. |
| | Frequency of bond schedule publications. | Four per year (prior to each quarter). | Met 4 per year (prior to each quarter). A schedule of bond operations was released prior to the start of each quarter. |
| | Number of maturity sectors in which bonds and treasury bills are issued. | More than one. | Met more than one. The government issued securities in all of the key maturity sectors (i.e., 3-month, 6-month, 12-month Treasury Bills, 2-, 3-, 5-, 10- and 30-year nominal bonds, and 30-year Real Return Bonds). |

## Performance Analysis and Lessons Learned

The Department of Finance Canada is committed to ensuring sufficient funding for government debt management operations while providing appropriate flexibility to adapt to changing circumstances, and timely, cost-effective, and well-managed funding for Crown corporations. The Department implemented its Debt Management Strategy that sets out the Government of Canada's objectives, strategy and plans for the management of its domestic and foreign debt, other financial liabilities and related assets.

As part of this strategy, the Department undertook several bilateral consultations with partners and stakeholders. In addition the Department initiated several multilateral meetings with various international investors to seek the views of market participants on the transition to a smaller treasury bill program, the state of demand for longer-term securities, and the impacts of foreign investor interest and regulatory changes on Government of Canada securities markets. Further details on the subjects of discussion and the views expressed during the consultations can be found on the Bank of Canada website.[xix]

Borrowing activities supported the ongoing refinancing of government debt coming to maturity, the execution of the budget plan, and other financial operations of the government, including investing in financial assets needed to establish a prudent liquidity position and borrowing on behalf of some Crown corporations. To meet this commitment, the Department will continue to work closely with Crown corporations, the Bank of Canada, and other market participants.

In 2012–13, the Department's Crown Borrowing Program (CBP) was evaluated as part of the Treasury Evaluation Program. The evaluation found that the CBP was relevant and aligned with government priorities, as well as roles and responsibilities. The CBP was found to contribute to the achievement of its objectives by providing flexible and timely funding for Crown corporations, adding liquidity and a well-functioning market for Government of Canada debt, and reducing borrowing spread costs. The evaluation identified potential improvements, whose feasibility is being assessed. The evaluation report can be found on the Department's website.[xx]

## Sub-Program 1.3.2: Major Federal-Backed Entities Borrowing

### Description

This sub-program governs the borrowing activities for the major government entities that are backed by the full faith and credit of the government such as Crown corporations and similar entities. It ensures their borrowing is cost-effective and in keeping with the principles of prudent risk management. Major federal-backed entities borrowing enables the government as a whole to reduce the overall cost of interest on government debt.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| — | 65,182.8 | (65,182.8) |

### Rationale for Variances

Non-budgetary authorities related to the value of loans disbursed to Crown corporations participating in the Crown Borrowing Framework are not reflected in the Main Estimates. There can be very large and significant variances both inter-year and intra-year. Given the risk of forecast inaccuracy and the fact that the gross advances to Crown corporations are a non-budgetary item and do not impact on the net debt of the government, the Department of Finance Canada only reports on actual borrowings by Crown corporations.

The difference between planned spending and actual spending was attributable to borrowings from Crown corporations not being included in the *2012–13 Report on Plans and Priorities*. The government announced in Budget 2007 that it would meet all of the domestic borrowing needs of Farm Credit Canada, the Business Development Bank of Canada, and Canada Mortgage and Housing Corporation through direct lending in order to reduce overall borrowing and to improve the liquidity of the government securities market. The $65.2 billion in 2012–13 Crown borrowings was distributed as follows:

- Farm Credit Canada: $38.5 billion;
- Business Development Bank of Canada: $24.3 billion; and
- Canada Mortgage and Housing Corporation: $2.4 billion.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Timely, cost-effective and well-managed funding for Crown corporations. | Percentage of cash requirements of major federal government-backed entities met on time. | 100 per cent. | Met 100 per cent. The government achieved its expected result of providing timely, cost-effective and well-managed funding for Crown corporations and other entities. All cash requirements of major federal government-backed entities were met on time. |
| | Percentage of borrowing costs in line with government costs for equivalent term. | 100 per cent alignment. | Met 100 per cent. The cost of all borrowings was in line with government costs for equivalent terms.<br>The Department worked closely with Crown corporations and other federal entities that engage in borrowing and lending activities backed by the full faith and credit of the government. The cost of borrowings for Crown corporations was in line with government costs for equivalent terms. |

## Performance Analysis and Lessons Learned

The government achieved its expected result of providing timely, cost-effective and well-managed funding for the Government of Canada and its Crown corporations and other entities. All cash requirements, including those of major federal government-backed entities, were met on time.

The Department continued to ensure the effective cost of borrowing for Crown corporations and to provide advice on governance arrangements and the scope of their activities. These objectives were successfully managed in 2012–13 through ongoing dialogue and regular exchanges with Crown representatives and departmental officials. Continued dialogue and information exchange through such initiatives as the annual meeting of Chief Financial Officers of Crown corporations and senior departmental officials proved invaluable to achieving the objectives of both the Department and Crown corporations.

## Sub-Program 1.3.3: Prudential Liquidity and Reserves Management

### Description

Prudential liquidity and reserves management involves maintaining domestic cash deposits at the Bank of Canada and financial institutions and the acquisition and management of cash reserves, loans, investments and advances in the Foreign Exchange Account of the government. This sub-program safeguards the government's ability to meet payment obligations in situations where normal access to funding markets may be disrupted and promotes foreign currency liquidity and orderly conditions for the Canadian dollar in the foreign exchange markets, if needed.

**Financial Resources ($ millions) – Sub-Program Level**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| — | (43.9) | 43.9 |

### Rationale for Variances

This sub-program encompasses accounting and financial transactions relating to Canada's foreign reserve assets, commitments to the IMF, and other domestic and foreign currency transactions including collateral management and hedging activities to reduce financial risk. Year-to-year variance on amounts relating to these transactions can be attributed to changes in foreign market conditions, notably exchange rates and interest rates, and their impact on reserves and IMF program activities, and on unplanned transactional activities of the government involving foreign exchange.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Management of a reserves portfolio that ensures timely access to liquidity for interventions, which may be required in response to market crises. | Size of reserves portfolio. | At or above the minimum level approved by the Minister of Finance. | Met. The level of liquid reserves was maintained at or above the level approved by the Minister. |
| | Percentage of portfolio share held in liquid assets. | At or above the minimum level approved by the Minister. | Met. The Department achieved its expected result of maintaining a high-quality reserves portfolio. The percentage of the portfolio held in liquid assets was at, or was above, the minimum level approved by the Minister. The liquidity of the portfolio was increased to meet the requirements of the Prudential Liquidity Plan and through the reallocation of investments to further raise the portfolio's overall liquidity. |
| | Proportion of high credit ('AA' to 'AAA') quality assets. | At or above the minimum level approved by the Minister. | Met. The reserves portfolio maintained mostly high credit, quality assets at or above levels approved by the Minister, in accordance with the Statement of Investment Policy. The credit quality of investments was closely monitored, and the Minister was regularly advised. |
| Management of prudential liquidity in support of operational requirements. | Percentage of operational requirements met. | 100 per cent. | Met 100 per cent. The Department worked closely with the Bank of Canada to build up domestic cash balances and liquid foreign reserve assets to implement the government's Prudential Liquidity Plan over a three-year period, ending March 2014. Beginning February 2013, the Department increased the pace of funding for the Prudential Liquidity Plan, which will enable the government to achieve the target level by summer 2013, nine months ahead of the original schedule. |

## Performance Analysis and Lessons Learned

Through the Prudential Liquidity Plan, the government has taken steps to safeguard its ability to meet payment obligations in situations where normal access to funding markets may be disrupted or delayed, which in turn supports investor confidence in Government of Canada debt markets. In developing and communicating the plan, the Department found that many other jurisdictions, including other countries and other government entities in Canada, were interested in developing similar contingency plans.

In funding the plan, the Department of Finance Canada learned that favourable market opportunities can be exploited to obtain target levels earlier than planned. Engaging in early discussions with other government treasuries on risk planning could promote better linkages and overall contingency planning.

## Sub-Program 1.3.4: Domestic Currency System

### Description

This sub-program is responsible for the system of circulating Canadian currency (banknotes and coins) to meet the needs of the economy. The Department provides advice to the Minister on the currency system, which involves the production of banknotes by the Bank of Canada and the circulation of coinage by the Royal Canadian Mint. This partly entails the negotiation and oversight of the payment of production and distribution costs in the domain of domestic circulating coinage.

**Financial Resources – Sub-Program Level ($ millions)**

| Planned Spending 2012–13 | Actual Spending 2012–13 | Difference 2012–13 |
|---|---|---|
| 120.0 | 130.8 | (10.8) |

### Rationale for Variances

The actual spending in this sub-program was higher in 2012–13 owing to a greater number of pennies that were redeemed earlier than anticipated, although overall projected costs and savings remained on track, and because the demand for coinage generally was higher than expected in the year.

**Performance Results – Sub-Program Level**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Supply of domestic coinage that meets the needs of the economy. | Alignment of operations with the terms of Memorandum of Understanding (MOU) with the Royal Canadian Mint. | 100 per cent alignment. | Met 100 per cent. The supply of domestic coinage was carried out consistently with the terms of the MOU (e.g., with respect to pricing and maintaining inventory levels). The Department continued to work with the Mint to achieve savings through the full implementation of the change in composition of the one-dollar and two-dollar coins and the phasing out of the penny, final steps for which were taken in February 2013. |
| Provision of secure bank-notes by the Bank of Canada. | Number of counterfeit notes in circulation below the Bank of Canada target level. | 100 per cent. | Met 100 per cent (the number of counterfeit notes was below target). The government continued its efforts to modernize the currency system and protect against counterfeiting. The Bank of Canada is introducing a new series of banknotes, which began in 2011–12. These banknotes have more security features and are printed on a polymer material, which lasts significantly longer than the current cotton-based paper, thereby reducing production costs and the impact on the environment. The Bank of Canada introduced the twenty-dollar banknote into circulation in November 2012. |

### Performance Analysis and Lessons Learned

With respect to the domestic currency system, the Department of Finance Canada's objective was to support the introduction of a new series of banknotes by the Bank of Canada. This was successfully accomplished. Public consultations and focus groups were key in keeping the public informed of the government's intentions well in advance and provided a channel for public input and feedback.

The same was true with the phasing out of the penny. This initiative's success owed to careful planning and comprehensive stakeholder consultations, including adjustments to the original timing of the final stage of the phase-out (ceasing distribution of pennies) from fall 2012 to February 2013, in response to stakeholder feedback.

## Program 1.4: Internal Services

### Description

Internal Services are activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. The Internal Services categories are Management and Oversight Services, Communications and Consultations Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Materiel Services, Acquisition Services, and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not those provided specifically to a program.

**Financial Resources – Program Level ($ millions)**

| Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending 2012–13 | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) 2012–13 | Difference 2012–13 |
|---|---|---|---|---|
| 42.1 | 42.1 | 51.6 | 50.5 | (8.4) |

**Human Resources (FTEs) – Program Level**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 236 | 270 | (34) |

### Rationale for Variances

Actual spending in 2012–13 for the Internal Services program exceeded planned spending by $8.4 million because planned spending did not include those expenditures that were funded through the Supplementary Estimates process. These expenditures include severance payments related to collective bargaining agreements and carry-forward funding in support of various corporate initiatives that support all program activities.

The number of actual FTEs for 2012–13 was higher than planned and can be explained by the repatriation of some corporate services previously provided by the Treasury Board of Canada Secretariat, which were not included in the 2012–13 planning figure, and was offset by reductions related to savings measures announced in *Economic Action Plan 2012*.

## g Performance Analysis and Lessons Learned

The Department of Finance Canada has a solid reputation in Canada and internationally, which is due in large part to its strong commitment to management excellence. The Treasury Board of Canada Secretariat's Management Accountability Framework (MAF) Assessment for 2012–13 showed that the Department continued to demonstrate this commitment. Out of the six core areas of management assessed, the Department obtained four "strong" ratings in the areas of human resources, integrated risk management, values and ethics, and internal audit. The Department's ratings were "acceptable" for evaluation and financial management.

The Department progressed in the implementation of changes and continued to manage restraint measures resulting from spending reviews. With the support of its Law Branch, Internal Audit and Evaluation, and Consultations and Communications Branch, the Department continued to examine tools, policies and programs to minimize the time and cost expenditures of key business processes and practices, to address other central agencies requirements, and to provide continued support and services to its clients. Notably, the Department improved its internal services in the following areas.

***Sound Human Resources Management***

For the first time, the Department of Finance Canada received a "strong" rating for the people management component of the MAF assessment and the overall score improved compared with last year for six of the eight sub-elements assessed.

The Department strengthened its performance management program (PMP) for non-executive employees by providing support to managers and employees with performance challenges. Continued efforts are required in the area of performance management, given the new guidance provided by the Treasury Board of Canada Secretariat.

To strengthen the well-being of employees, the results of the 2011 Public Service Employee Survey (PSES) were analyzed and communicated to employees in early 2012. Under the leadership of the PSES Champion and with the support of a working group comprised of representatives from all Branches as well as functional specialists, an Action Plan was developed and approved by senior management. It was then communicated to all departmental employees in August 2012. The departmental Action Plan focused on the following four priority areas, identified further in the analysis of the survey results:

- Employee Development;
- Work-Life Balance;
- Respectful Workplace; and
- Tools.

Since the launch of the Action Plan, a series of planned activities was completed and implemented during 2012–13, including:

- The launch of the revised departmental mentoring program;
- The sharing of information on the Department's mission, goals and priorities, to better support Branch priority setting and decision making;
- Mandatory training on the importance of maintaining a respectful workplace, which encompasses training on harassment and discrimination; and
- Information sessions on the process of disclosure of wrongdoing without fear of reprisal.

The Action Plan's implementation was closely monitored. Updates were presented to senior management on a regular basis, and finalized activities were immediately communicated to employees through the 2011 PSES web page on the Intranet.

An Employment Equity Audit Report was produced by the Canadian Human Rights Commission (CHRC) in June 2012. The report indicates that the Department's employment equity results are good for women, Aboriginal peoples, and members of visible minorities. However, progress is required for persons with disabilities, whose representation is below labour market availability. The Department's 2011–14 Employment Equity and Diversity Action Plan was developed in consultation and collaboration with employees' representatives. According to the CHRC audit findings, the Action Plan contains appropriate remedial measures to close the identified gap.

***Sound Financial Management***

The Department of Finance Canada continued the implementation of the government's financial management framework. In particular, the Quarterly Financial Reports and the Future-Oriented Financial Statements were completed on time and in accordance with policy requirements. The Department's Five-Year Investment Plan was also developed and approved by the Treasury Board of Canada Secretariat in 2012.

***Alignment of Information Management and Information Technology***

Given the nature of its mandate, the Department requires a reliable and secure IT infrastructure. In light of the prevalence of IT security incidents in both the public and private sectors and the anticipated move of the Department's operations to 90 Elgin Street, the Department, in collaboration with Shared Services Canada, continued to strengthen its IT infrastructure according to best practices. A dual network environment was implemented in July 2012 to protect departmental information and resources. There are ongoing activities to strengthen the overall performance and reliability of the network. The departmental data centre servers were also relocated to a new location. IT project oversight has been strengthened by constructive organizational modifications.

The Department has also been working toward the implementation of a collaborative client-focused approach to information management (IM). The implementation of this IM solution is a key element of the Treasury Board *Directive on Recordkeeping*, which all departments must adhere to by March 2015.

***Supporting Departmental Initiatives and the Management of the Department's Operations***

A number of corporate units played important roles in supporting the Department of Finance Canada's priorities and the government's spending review and efforts to return to budgetary balance following the economic crisis. Some examples include:

- The evaluation unit helped maintain a strong and effective internal control and oversight regime by evaluating the Department's policy advice function and internal services. For these evaluations, innovative approaches and methodologies were piloted, including an adapted balanced scorecard, the use of the Schacter criteria,[4, xxi] and a shorter reporting format. On the audit side, six internal audits were completed. In terms of complying with the Treasury Board policies on Evaluation and Internal Audit, the Department exceeded expectations by obtaining for the first time a MAF rating of "strong" for the performance and sustainability of its internal audit function. The Department also received a rating of "strong" for Use of Evaluation, one of the two evaluation subcategories, with the overall evaluation function rated as "acceptable."
- The Law Branch supported a number of key government priorities such as the management of the national debt, the integrity of the fiscal framework, the federal regulatory framework for financial institutions, the path forward with respect to enhancing the regulation of capital markets and maintaining a fair and efficient tax system, and issues relating to sales tax harmonization. Through its Law Branch, the Department continued to advance the government's stated objective of establishing a capital markets regulator within the parameters of the Supreme Court decision in *Reference re the Securities Act*.
- The Consultations and Communications Branch provided strategic communications advice, services and products to assist the Minister's Office, the Deputy Minister's Office and other branches in developing and implementing policy initiatives, including the Annual Financial Report of the Government of Canada, the Economic and Fiscal Update, and the federal budget. It also coordinated the Department's parliamentary activities and ministerial and departmental consultations; managed a range of information and public affairs activities, including media relations and ministerial correspondence; and provided related communications services, such as editing, web communications and publishing, public opinion polling and advertising.

  The Consultations and Communications Branch played a central role by developing timely and effective communications products to support *Economic Action Plan 2013*. The Government of Canada's website[xxii] hosted all *of the Economic Action Plan 2013* documents: the Plan itself, the Budget in Brief, news releases, the Minister's speech, fanfolds and other content. Some 10,000 copies of the budget were downloaded in the first 24 hours of its release. There have been 183,000 visits to the website to date. The most innovative feature of the site was SpeechPLUS, which live-streamed the Minister's speech from the House of Commons. The Department also developed a series of budget-related videos for YouTube,[xxiii] generating a combined total of nearly 17,000 views (English). The Department

4. Mark Schacter, "The Worth of a Garden: Performance Measurement and Policy Advice in the Public Service," 2006. A discussion paper commissioned by the Treasury Board of Canada Secretariat.

of Finance Canada also worked with other government departments to market social media products related to the budget.

In 2012–13, Internal Audit and evaluation conducted an evaluation of the Consultations and Communications Branch to assess the relevance and performance of the Branch. The evaluation concluded that the Branch conducts its activities and delivers its services efficiently and economically and that there is a high level of satisfaction both within and outside the Department with the quality and timeliness of Branch services and products. The evaluation report identified opportunities for improvement, which were accepted and are being implemented. The evaluation report[xxiv] can be found on the Department's website.

- The Department implemented a departmental Code of Conduct as required under the *Public Servants Disclosure Protection Act.*

***Supporting the Federal Sustainable Development Strategy***

The Department of Finance Canada is a participant in the Federal Sustainable Development Strategy (FSDS) and contributes to the Greening Government Operations targets through the Internal Services program.[5] The department contributes to the following areas of Theme IV (Shrinking the Environmental Footprint – Beginning with Government) of the FSDS:

- Green Procurement;
- E-Waste;
- Printing Units;
- Paper Consumption; and
- Green Meetings.

5. For additional details on the Department of Finance Canada's Greening Government Operations activities, please see the List of Supplementary Information Tables in Section III.

# Section III: Supplementary Information

## Financial Statements Highlights

### Condensed Statement of Operations and Departmental Net Financial Position

**Department of Finance Canada**
**Condensed Statement of Operations and Departmental Net Financial Position (Unaudited)**
**For the Year Ended March 31, 2013**
**($ millions)**

| | 2012–13 Planned Results | 2012–13 Actual | 2011–12 Actual | $ Change (2012–13 Planned vs. Actual) | $ Change (2012–13 Actual vs. 2011–12 Actual) |
|---|---|---|---|---|---|
| Total expenses | 85,591 | 83,326 | 83,236 | 2,265 | 90 |
| Total revenues | — | — | — | — | — |
| Net cost of operations before government funding and transfers | 85,591 | 83,326 | 83,236 | 2,265 | 90 |
| Departmental net financial position | — | (512,244) | (480,780) | (512,244) | (31,464) |

### Condensed Statement of Financial Position

**Department of Finance Canada**
**Condensed Statement of Financial Position (Unaudited)**
**As at March 31, 2013**
**($ millions)**

| | 2012–13 | 2011–12 | $ Change |
|---|---|---|---|
| Total net liabilities | 673,863 | 643,099 | 30,764 |
| Total net financial assets | 161,619 | 162,158 | (539) |
| Departmental net debt | 512,244 | 480,941 | 31,303 |
| Total non-financial assets | — | 161 | (161) |
| Departmental net financial position | (512,244) | (480,780) | (31,464) |

## Financial Statements

The *Department of Finance Canada's Financial Statements (Unaudited) for the Year Ended March 31, 2013*, can be found on the departmental website.[xxv]

## Supplementary Information Tables

All electronic supplementary information tables listed in the *2012–13 Departmental Performance Report* can be found on the Department of Finance Canada's website.[xxvi]

- Details on Transfer Payment Programs
- Greening Government Operations
- Horizontal Initiatives
- Internal Audits and Evaluations
- Responses to Parliamentary Committees and External Audits
- Sources of Respendable and Non-Respendable Revenue

## Tax Expenditures and Evaluations Report

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the Tax Expenditures and Evaluations[xxvii] publication. The tax measures presented in the Tax Expenditures and Evaluations publication are the sole responsibility of the Minister of Finance.

# Section IV: Other Items of Interest

## Organizational Contact Information

### Contacts for further information and websites:

Department of Finance website: http://www.fin.gc.ca

Email messages for the Minister of Finance,
the Honourable James M. Flaherty, PC, MP: jflaherty@fin.gc.ca

**Comments or questions regarding the information on the Department of Finance Canada's website:**

Consultations and Communications Branch
Department of Finance Canada
140 O'Connor Street
Ottawa ON K1A 0G5

Telephone: 613-992-1753
Email: consultcomm@fin.gc.ca

# Endnotes

i. The Jenkins report, http://www.pwc.com/ca/en/sred/developments/review-of-federal-support-for-research-and-development.jhtml

ii. Descriptors for Government of Canada Outcome Areas, http://www.tbs-sct.gc.ca/ppg-cpr/descript-eng.aspx

iii. Public Accounts of Canada 2013 (Volume II), http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

iv. Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals, http://ceaa.gc.ca/default.asp?lang=En&n=B3186435-1

v. Public Statements regarding Environmental Effects, http://www.fin.gc.ca/activty/pubs/sea_1-eng.asp

vi. Sustainable Development Strategy, http://fin.gc.ca/purl/susdev-eng.asp

vii. Environment Canada website, http://www.ec.gc.ca/dd-sd/default.asp?lang=En&n=C2844D2D-1

viii. Economic Action Plan, http://www.actionplan.gc.ca

ix. Sustainable Development Strategy, http://fin.gc.ca/purl/susdev-eng.asp?wb48617274=86B8CFCA

x. *Evaluation of the Tax Policy Branch*, http://www.fin.gc.ca/treas/evaluations/tpb-dpi-eng.asp

xi. *Evaluation of the Federal-Provincial Relations Division*, http://www.fin.gc.ca/treas/evaluations/efprd-edrfp-eng.asp

xii. Evaluation of the International Trade and Finance Branch, http://www.fin.gc.ca/treas/evaluations/itfb-dfei-eng.asp

xiii. *Evaluation of the Federal-Provincial Relations Division*, http://www.fin.gc.ca/treas/evaluations/efprd-edrfp-eng.asp

xiv. Press release on technical improvements for the renewal of Equalization and Territorial Formula Financing, http://www.fin.gc.ca/n12/12-166-eng.asp

xv. Economic Action Plan, http://www.budget.gc.ca/2013/doc/themes/skills-competences-eng.html

xvi. Debt Management Strategy for 2013–14, http://www.budget.gc.ca/2013/doc/plan/anx1-eng.html

xvii. "Government of Canada Will Complete Funding of Prudential Liquidity Plan Ahead of Schedule," http://www.fin.gc.ca/n13/13-023-eng.asp

xviii. "Government of Canada and the Royal Canadian Mint Bid Farewell to the Canadian Penny," http://www.fin.gc.ca/n13/13-015-eng.asp

xix. Bank of Canada website, http://www.bankofcanada.ca/2013/03/publications/notices/summary-comments-2013-14-debt-management-strategy-consultations/

xx. *Evaluation of the Crown Borrowing Program*, http://www.fin.gc.ca/treas/evaluations/cbp-pese-eng.asp

xxi. "The Worth of a Garden: Performance Measurement and Policy Advice in the Public Service," http://www.schacterconsulting.com/documents/garden.pdf

xxii. Economic *Action Plan 2013*, www.budget.gc.ca

xxiii. YouTube, www.youtube.ca

xxiv. Evaluation of the Consultations and Communications Branch, http://www.fin.gc.ca/treas/evaluations/ccb-dcc-eng.asp

xxv. Department of Finance Canada website, http://www.fin.gc.ca/afc/pp-pr-eng.asp

xxvi. Department of Finance Canada website, http://www.fin.gc.ca/afc/pp-pr-eng.asp

xxvii. Tax Expenditures and Evaluations, http://www.fin.gc.ca/purl/taxexp-eng.asp